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Twelfth Annual Edition

United States-German Economic Survey 1986

German American
Chamber of Commerce
Inc.

Deutsch-Amerikanisches
Wirtschaftsjahrbuch

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Twelfth Annual Edition

United States-German Economic Survey 1986

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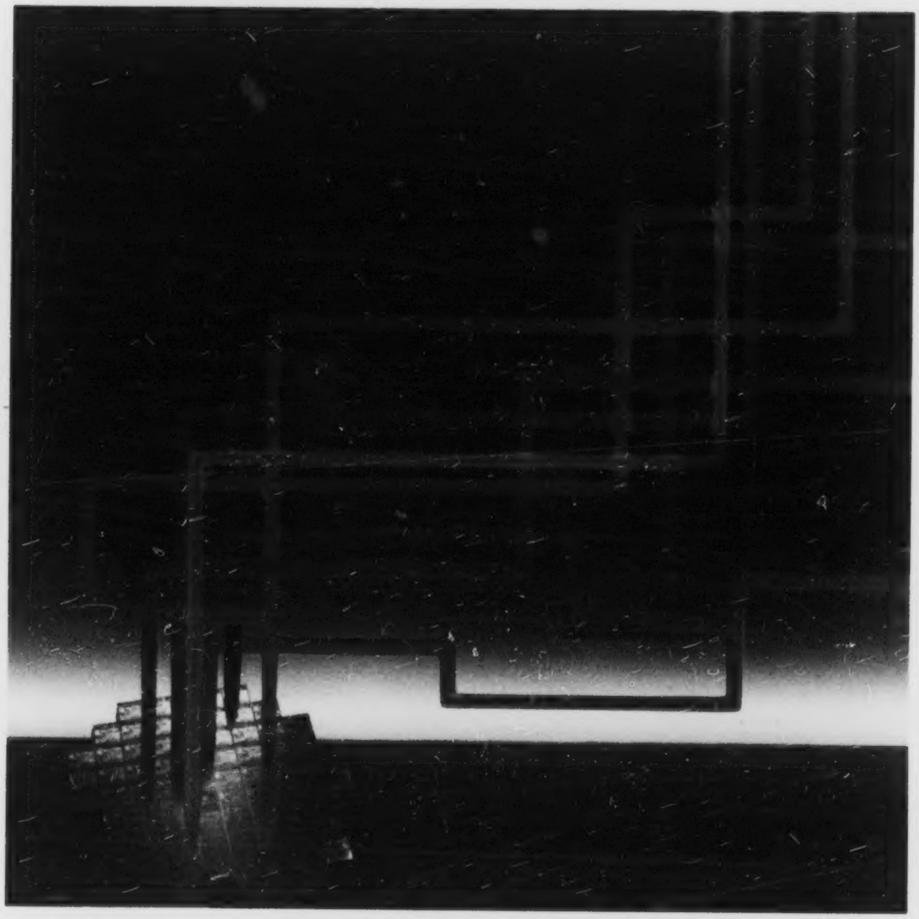

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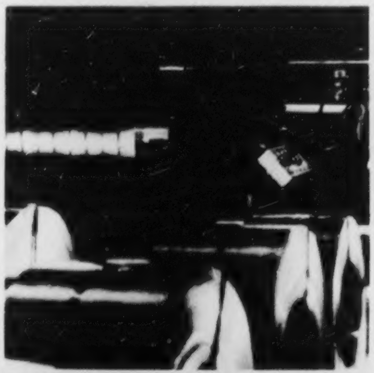

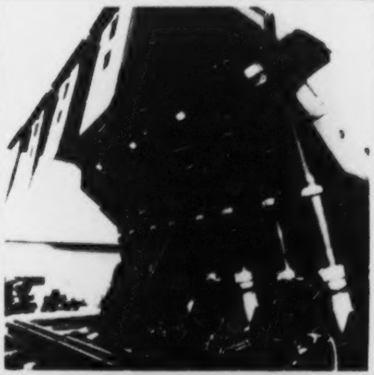

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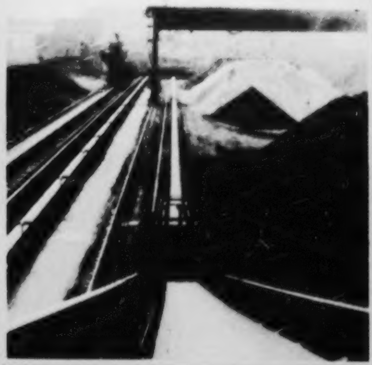

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PREFACE

This was a generally good year for business in the United States and the Federal Republic. Both economies should post annual economic growth rates of more than 2.5 percent but less than 3 percent. Compared with expectations a year ago in both Bonn and Washington, these figures may come as a disappointment, but they do represent a respectable achievement – particularly since they have been realized in the fourth year of economic recovery in both countries – a stage in the business cycle when decline rather than growth would be a more rational expectation.

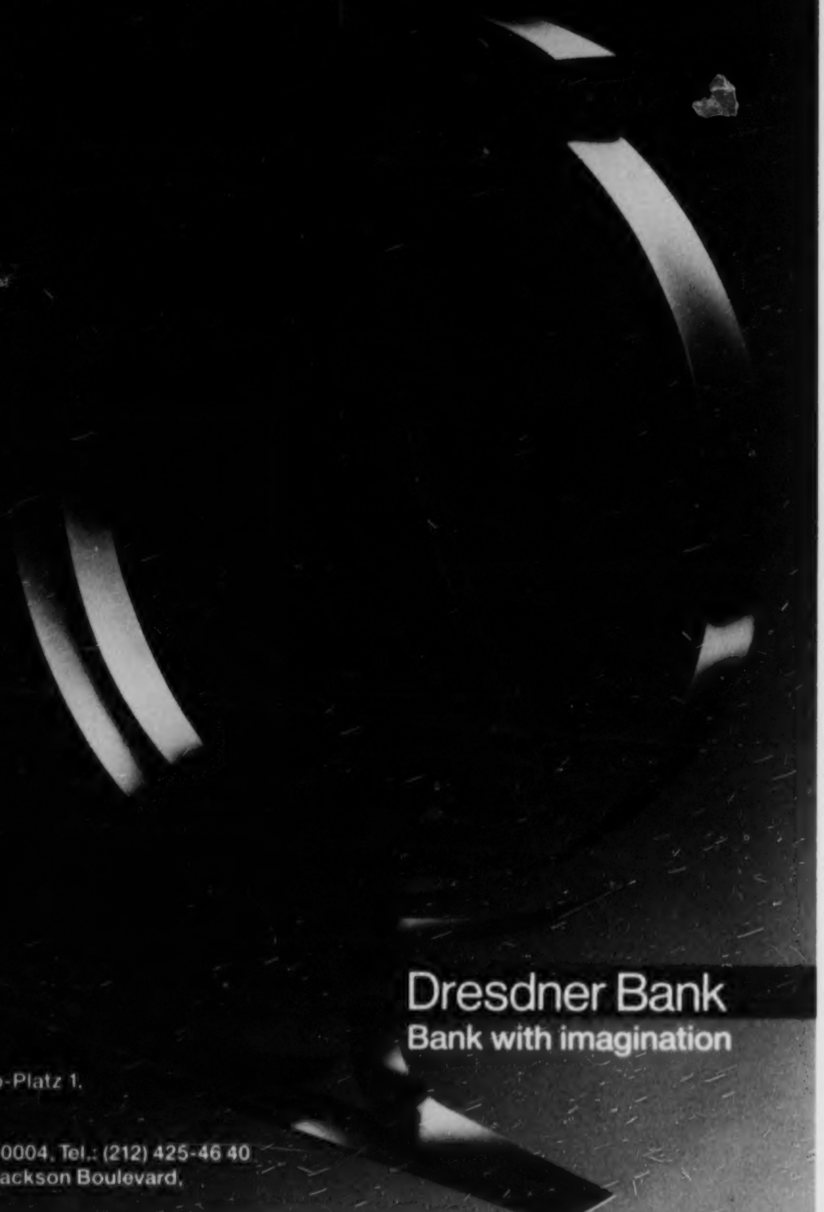
Unfortunately, 1986 was not a good year for free trade. Let me illustrate this statement with just three cogent examples. Nearly thirty years after its creation, the Common Market/European Community still harbors so many barriers to free trade inside its borders that Prime Minister Margaret Thatcher saw fit this fall to formally urge other EC heads of government to press for faster reform. Secondly, for almost the entire year, relations between the United States and the European Community have been dominated by negotiations over the loss of U.S. grain sales to Spain and Portugal under the terms of their accession to the EC; as of this writing, the talks have been broken off and the atmosphere is highly charged. Last but not least, there is the example of the recently introduced U.S. quotas on machine tool imports from Japan and Taiwan, restrictions which the Administration intends to enforce for five years.

Each of these examples represents a separate and distinct gender of protectionism that has grown more ominous this year. The Thatcher initiative was aimed very substantially against the indirect, non-tariff barriers to free trade within the Community. The grain dispute between the United States and the EC is only the latest and most disturbing reminder that farm lobbies in virtually every major industrial country promote unnecessary international antagonisms and support more or less open protectionism to unfettered trade in key commodities. Finally, the action on machine tools by the United States is only one of scores of cases around the world where quotas or, to use the euphemism, voluntary restraint agreements are increasingly being integrated into the structure of international commerce.

If this sounds unduly alarmist, so be it. Perhaps the price of free trade, like freedom itself, is eternal vigilance. Indeed, what is uniquely alarming about the current atmosphere is that almost none of the sponsors of protectionist measures considers their proposals to be directed against free trade per se, but rather to be either temporary (and therefore harmless) or, paradoxically, intended to foster free trade by some other country. I can only express the hope that the forum of this *Survey* will be a modest contribution to clarifying some of the mercifully few outstanding issues on which Germany and the United States disagree.

In conclusion, I want to take this opportunity to express my appreciation to the American and German authors who have given so ably and generously of their time. The quality and breadth of their contributions represent a sort of microcosm of the German-American business relationship.

Werner Walbroel
Executive Director
German American Chamber of Commerce
December 1986



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German Economic Policy in the International Framework

by Dr. Martin Bangemann
Economics Minister of the
Federal Republic of Germany

1. During the past several months, international organizations such as the IMF and OECD have assessed prospects for the economic trend in the year 1987. The experts are of the unanimous opinion that global economic growth will continue in 1987. Its approximate rate in the industrialized countries has been estimated at 3%. The improvement in quite a number of important economic fundamentals furnishes the clearest evidence to support this positive outlook.

Of cardinal importance in this connection is the fact that inflation has largely been brought under control, at least in the industrial countries. A sufficient degree of price stability is one of the decisive conditions for sustained economic growth. We must therefore do everything in our power to consolidate this success worldwide. The present trend, however should not distract us from recognizing that the overall picture is being determined by factors which, in part, are only temporary. I am referring here, above all, to the decline in inflation rates induced by lower oil and commodity prices and by exchange rates.

One of the improved fundamentals is the fact that exchange rates are now more closely oriented to economic realities. This adjustment must be utilized to remove the distortions in the international transactions in merchandise, services and capital. Another positive factor is the success achieved in enacting sound fiscal policy (now possibly also in the U.S.). For sound finances are also decisive in fostering confidence in the economy.

Success scored in fiscal policy and progress made in stablilizing prices have had a positive impact on interest rates. Lower interest rates are important in providing relief for the highly indebted developing nations. While making it easier for the developing countries to repay their debts, lower interest rates are also of importance for the industrial countries, above all, in facilitating investment and improving prospects for growth and employment.

2. In addition to positive elements in the outlook, there are substantial dangers which should not be overlooked. One of the potential dangers is posed by large and persistent imbalances in foreign trade payments; another is the high budget deficit in the U.S.; a third is the problems faced by highly indebted developing countries which have tended to deteriorate rather than improve.

As concerns the first dangerous aspect, adjustment of the large current account imbalances in the U.S., Japan, and the Federal Republic has not made the necessary progress. The upshot, particularly in the U.S., is serious protectionist pressure. Time is needed for changes; progress in the area should not be expected to occur overnight. It is important that adjustment be made in the medium term.

Consumption and investment are increasing sharply.

Also when we view developments in this timeframe, we see that of all the industrialized countries with large imbalances the U.S. and Japan present the greatest cause for concern.

For the Federal Republic, the medium-term prognosis by the IMF shows that we have the possibility to reduce the external economic imbalance to a small and harmless remainder by the beginning of the Nineties. By contrast, while shrinking somewhat, the imbalances in the U.S. and Japan will, in essence, remain. None of us can afford to accept such an outlook. Current account imbalances of such dimensions will sooner or later threaten to destabilize the very fabric of the global economy. We must face up to the fact that achieving a balance will require more than just the employment of exchange rate instruments. Of immense importance is an internal adjustment policy and a sustained expansion of domestic demand in the surplus countries.

. . . there must be a more rapid reduction of the public-sector share of GNP. . . tax reform . . . privatization, deregulation . . .

There is no disputing that high budget deficits in the U.S. have decisively contributed to producing current account imbalances, above all via their impact on interest rates and thus on capital flows. It is my hope that the budget deficit in the U.S. will be rolled back in a sustained manner, thus demonstrating the creditability of America's fiscal policy. At any rate, as long as the budget deficit remains at the high level it reached this past year, it will have the potential for producing dislocations in the global economy and for disrupting the international level of interest rates and the currency markets.

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As relates to the problem of indebtedness, pressures are rising again in a number of countries. The main reason is the slower growth of world trade in the first half of 1986. The situation will improve when global economic growth becomes brisker. Particularly hard hit are naturally the highly indebted oil-exporting developing nations. The lower prices however for non-oil commodities have also taken their toll. On the other hand, the decline in interest rates has eased pressures noticeably.

3. Global economic problems require close cross-border coordination of economic policies. The international coordination of economic, fiscal and monetary policies must aim at containing potential dangers. All of us bear the responsibility for this. The major industrial countries naturally have a greater share of responsibility.

Some success has recently been scored in the area of policy coordination:

- Launching the new GATT Round at Punta del Este brought us a step forward. The many years of stagnation within the GATT system have thus come to an end and a new chapter has been opened in multilateral trade relations. The view that the world does best with a free system of trade and competition has found acceptance. It is now important for continuous progress to be made in all areas of the negotiations and for a serious approach to be taken in making political commitments to standstill and rollback.

The United States. . .exports only some 4% of its total exports to us.

- At the annual meeting of the IMF and the World Bank the strategy for combatting the problems of indebtedness was reconfirmed. The developing nations joined the industrialized countries in manifesting their willingness to cooperate. Even though the debt situation is more pressing than anticipated at the outset of the year, the success scored by the action taken by the IMF and the World Bank should not be overlooked. Recognition should also be given to the efforts of numerous developing countries. The case of Mexico has shown that commercial banks are also aware of their responsibilities.

Coordination in the area of economic and currency policies during recent months has not been as successful as the cooperation in trade policy and in solving the problems of indebtedness:

- The coordination process long concentrated to an excessive extent on monetary issues instead of a real adjustment in the various countries.

- At times, the dialogue has been conducted in public in a confrontational manner rather than in the spirit of constructive cooperation. This form of discussion has benefitted no one. In the effort to improve the coordination of economic and monetary policy, the most important thing at the moment, in my opinion, is that:
- we stop pointing the accusing finger at the failings of others
- each of us approach his international responsibility by first overcoming his own failings, and
- each of us show understanding for the problems of others.

4. No one should think that the Federal Government willingly accepts less growth than would be possible with the best possible utilization of our resources. German economic policy is aimed at doing everything feasible to strengthen the growth forces. We are deeply convinced that such policy must, above all, be characterized by a reorientation to the basic principles of the market economy. These include the creation of reliable economic framework conditions which allow continuity, consistency and credibility to become the fundamental guideposts of economic policy. Short-term activism and political fine-tuning are the wrong approaches.

Additional monetary expansion could tend to be counter-productive.

In our opinion, the right path is that of adopting a medium-term economic strategy; this expressly includes allowing for a flexible reaction toward unpredictable developments. For such is the only way to create relatively predictable circumstances upon which the private sector may fashion plans for outlays and consumption in the future. We regard maintenance of a stable price level as an important part of a sound economic policy. Another element continues to be the creation of greater scope for private activities, i.e. the reduction of bureaucratic barriers and privatization of industrial firms in state ownership, as well as retaining the state's fiscal latitude by strict spending controls, by shrinking public budget deficits, and by reducing the public sector's share of national product. We seek to strengthen competition in its role of steering the economy in all areas — in particular in sectors which are still regulated such as postal services, transport, and insurance.

Our clear commitment in favor of free trade and against all types of protectionism is also a central element of our economic philosophy. If I am correct, the basic lines of this policy agree with what is today viewed internationally (not least of all in the U.S.) as correct economic policy strategy.

The "Sea-Land Galloway" at Container-Terminal Wilhelm Kaisen in Bremerhaven.

5. A look at the facts shows that the policy of the Federal Government has been rewarded by considerable success. The upturn is now in its fourth year in the Federal Republic. Our national product has expanded by more than 11% since the end of 1982.

All experts expect the economic upturn to continue in 1987. The economic expansion has increasing shifted its power base from the external economic side to the domestic economy. Consumption and investment are increasing sharply. The construction industry has begun to revive. Stable prices are adding to purchasing power, facilitating longterm planning and preventing misallocation of resources.

Government finances have been put in good order again. This gives us a growing degree of scope to enact tax reductions. The public sector share of gross national product has been rolled back from 50% to less than 47%. The decline in employment has been arrested; a new increase has been under way since the turn of the year 1983/1984. Companies' earnings have improved considerably. The utilization of capacities is good and is fostering new investment.

. . . in reducing the United States' current account deficit . . . the indigenous efforts are primarily required in the United States.

Dr. Bangemann, Economics Minister, with his predecessor Otto Graf Lambsdorff.

6. Despite this positive assessment of the economic situation in the Federal Republic my country must also take action in certain areas. In brief: there must be a more rapid reduction of the public-sector share of GNP; we need speedy enactment of a comprehensive tax reform after the January 1987 elections; a significant roll-back of subsidies is necessary; and privatization, deregulation and more flexibility on the labor market are needed. Success in these areas cannot be attained overnight. Those who admonish us to press on in this direction are not unjustified. We will take their words to heart. It is wrong, however, to demand at this point that we enact additional measures to stimulate domestic demand. Such a policy would lead us back to higher government deficits. The consequences would be rising interest rates and, above all, a loss of confidence in economic policy. It would not bring about sustained increase in our economy's vitality; nor would it act as a positive incentive for industry.

We are not a country which pursues a mercantilistic policy.

As concerns monetary policy, we are already pursuing an expansionary course. The Bundesbank has tolerated a significant surge beyond the money supply targets which have been set. In its M1 definitions, the money stock has grown at an annual rate of nearly 11% in recent months. At the moment, the economy has ample liquidity and our interest rates are among the lowest in the world. Additional monetary expansion could tend to be counterproductive.

In the view of the German situation, recommendations which aim at more expansive fiscal policy or monetary policy take the wrong approach. It is even probable that such policy would ultimately produce more inflation and less growth. This is not the path we wish to take. Our approach here also lies in the interest of our partner countries. We will, however, observe the economic trend very closely and react flexibly within the overall framework of our medium-term strategy should there be a lapse in growth. At the moment, however, there is no occasion for this.

7. A topic which is suited to generate controversy is that of the Federal Republic's high external surpluses. This is another area in which the cause of conflict may be defusesd after adequate analysis.

First of all, I want to state that we aim to reduce our external surpluses. We are not a

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country which pursues a mercantilistic policy.

I have already pointed out that the IMF sees the possibility for the Federal Republic to completely remove the external imbalances over the medium term. I do not however want to stop with this remark.

We see that the current account surpluses in the Federal Republic have continued to swell until this very moment. This should not tempt us however to make the wrong conclusions. Behind the nominal figures, we are able to detect that the adjustment has already begun in a significant manner. During the first eight months of 1986, real figures for exports rose by a mere 1% while imports climbed by 5 1/2%. At 1985 foreign trade prices, the trade surplus accumulated during the first eight months of this year would have been some 14 billion DM less than it was in nominal prices. The results are substantial and have found too little resonance in the international discussion.

Moreover, we must not lose sight of the fact that the traditional deficits in services and transfers continue to increase. We anticipate that the real factors will make themselves felt more and more in 1987 and that the tendency toward rising nominal surpluses will be reversed to be replaced by falling nominal surpluses.

Above all, our confidence is based on three aspects:

- On the one hand, our growth outlook is positive. From today's perspective, 3% growth appears attainable. The main impulses predominately derive from domestic demand, particularly from investment and from consumer demand. Our economic policy is supporting the domestic growth process.
- Import elasticity in the Federal Republic of Germany is above average and approximately twice as high as in Japan. This high import elasticity ensures that the domestic economic expansion is being reflectd by a significant rise in imports.
- The changes which have occurred in currency exchange rates, particularly the decline of the dollar, will have a moderating impact on the Federal Republic's trade surplus. In the medium term and in the longer term, this factor will become more important. I view the adjustment of the D-Mark's exchange rate vis-a-vis the dollar and its repeated appreciation within the European Monetary System as an important German contribution to attaining a better international balance of payments equilibrium. We must not lose sight, however, of the fact that every appreciation at first temporarily tends to increase surpluses ("J-curve" effect).

8. While some observers in the U.S. may be of the opinion that a short-term spurt in growth in the Federal Repubic would contribute to decreasing America's trade deficit to a major extent, I believe that they seriously overestimate the potential of the Federal Republic. Our trade integration with the U.S. and our global economic weight is only limited.

65% of our import volume comes from European countries and only 7% from the U.S.. The U.S. buys just less than 6% of its imports from the Federal Republic and exports only some 4% of its total exports to us. The global economic influence of the Germany economy is too small to be able to influence significantly the global economy to any important extent. The American national product, for instance, is five times as large as ours.

The IMF has rightly asserted that an acceleration of growth in Germany and Japan would provide a contribution of only small consequence in reducing the U.S.' current account deficit, and the indigenous efforts are primarily required in the U.S.. International responsibility also means that we must all act within the framework of our own possibilities. I believe we Germans are doing this.

9. The success of German policy speaks for itself and shows that we are meeting our international responsibility. I am aware of the voices of fear that growth in Germany will not be sustained as would be desirable. I take these voices seriously. Therefore I wish also to reassert: following a medium-term growth strategy does not exclude reacting flexibly in timing economic policy measures to anti-cyclical efforts if signs of flagging growth indeed appear, for instance, from the external economic side. Let us refrain however from taking premature steps in the wrong direction. ■

Continental Maritime

German-built floating dock being loaded in Bremen for trip to San Francisco.

It is my hope that the budget deficit in the United States will be rolled back in a sustained manner. . .

If you like to run the road less traveled...

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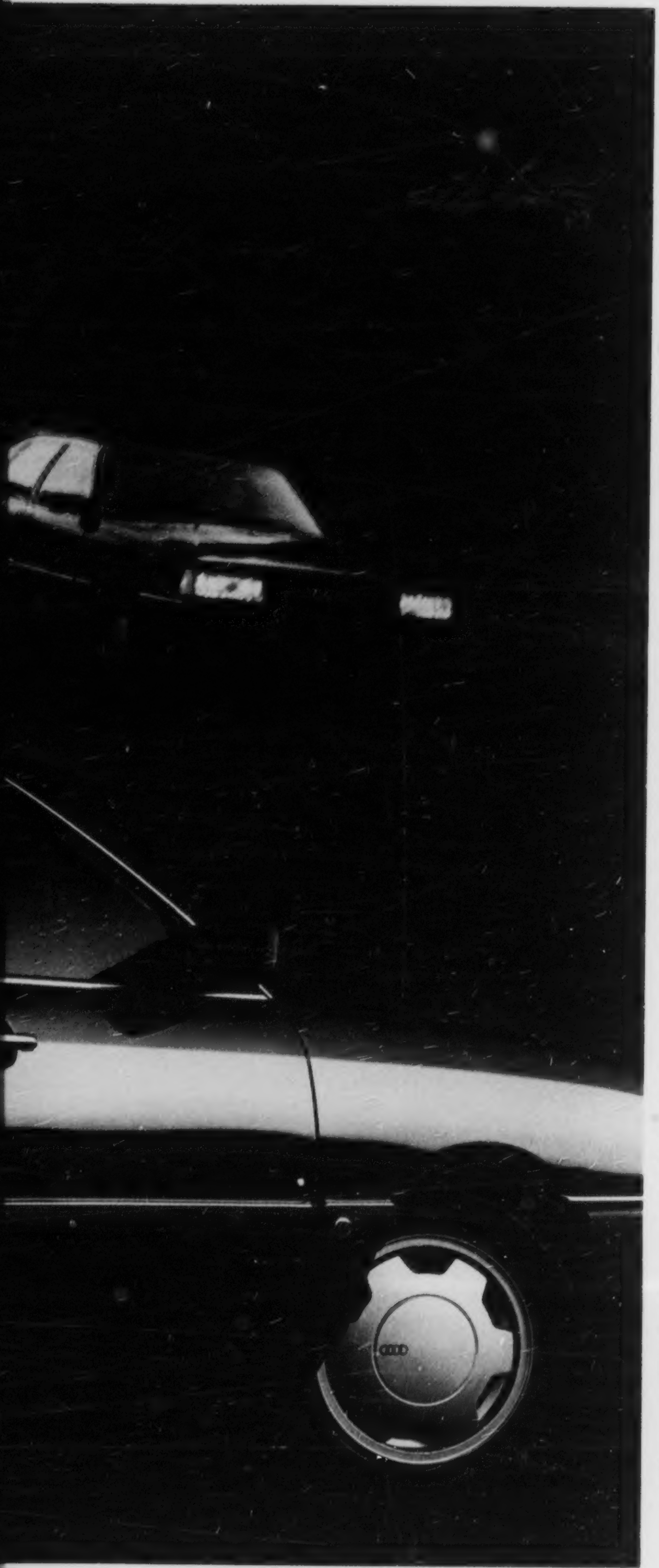

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All in all, we believe our philosophy of challenging conformity has produced a line of automobiles that stands among the world's finest.

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*All wheel drive as defined by Audi differs from the traditional American concept of four wheel drive. The Quattro is not an off-road vehicle. Rather it is a vehicle that delivers power to all four wheels equally and not just in rain or snow. But in virtually all road conditions.

**See your dealer for details.

AUDI

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DEUTSCHE ZUSAMMENFASSUNG

Nach Auffassung internationaler Organisationen wie dem IMF und der OECD wird auch im Jahre 1987 ein wirtschaftliches Wachstum zu verzeichnen sein. Dies wird in den Industrienationen ca. 3 Prozent betragen. Ausschlaggebend fuer diese Erwartung ist die Tatsache, dass die Inflation in den Industrielaendern unter Kontrolle gebracht werden konnte und die Wechselkurse heute mehr den wirtschaftlichen Realitaeten entsprechen. Die Preisstabilitaet traegt auch dazu bei, das Zinsniveau auf dem jetzigen niedrigen Stand zu halten.

Es gibt jedoch auch einige nicht zu uebersehende Gefahren. Diese sind in erster Linie in dem bestehenden Aussenhandelsungleichgewicht, dem amerikanischen Handelsdefizit und der internationalen Verschuldung zu sehen. Es ist zu hoffen, dass in Zukunft das Handelsdefizit schrittweise reduziert werden kann. Die internationale Verschuldungskrise hat sich eher noch verschaerft, bedingt durch das verringerte Wachstum des internationalen Handels im ersten Halbjahr 1986 und den Verfall der Rohstoffpreise.

Die weltweiten Wirtschaftsprobleme verlangen nach einer koordinierten Wirtschafts- und Fiskalpolitik, wobei den grossen Industrienationen der ueberwiegende Teil der Verantwortung zukommt. Als Erfolge auf diesen Gebieten koennen die neue GATT-Runde in Punta del Este und die Jahrestagung des IMF und der Weltbank angesehen werden. Zu bemaengeln ist hingegen, dass zuviel Gewicht auf Fiskalprobleme gelegt und der oeffentliche Dialog ueberwiegend in streitiger Weise anstatt im Geiste einer konstruktiven Zusammenarbeit gefuehrt wurde.

Die Bundesregierung ist bereit, die Wachstumskraefte zu foerdern. Ein kurzatmiger Aktivismus ist dabei fehl am Platz. Es geht vielmehr um eine realistische, mittelfristige Wirtschaftsplanung auf der Grundlage marktwirtschaftlicher Prinzipien. Die Aufrechterhaltung der Preisstabilitaet ist ein Faktor einer gesunden Wirtschaftspolitik. Ein weiteres Element ist die Ausdehnung des privaten Sektors und der Abbau protektionistischer Schranken.

Die Foerderung dieser Ziele hat der Bundesrepublik Deutschland erhebliche Erfolge beschert. Seit vier Jahren gibt es einen Aufschwung zu verzeichnen, und saemtliche Experten erwarten auch fuer 1987 eine Fortsetzung dieses Trends. Sowohl die Investitionen als auch der private Verbrauch haben zugenommen. Der Bundeshaushalt ist in Ordnung gebracht worden, und der oeffentliche Anteil am Bruttosozialprodukt konnte von 50 Prozent auf 47 Prozent zurueckgefuehrt werden.

Trotz dieser Erfolge sind in gewissen Bereichen weitere Anstrengungen noetig: Der private Anteil am Bruttosozialprodukt muss weiter erhoeht, die Subventionen reduziert und eine umfassende Steuerreform beschlossen werden. Die Verfolgung dieser Ziele erfordert Zeit und Ausdauer.

Zusaetzliche Massnahmen zur Ankurbelung der heimischen Nachfrage sind nicht angezeigt. Solche Massnahmen wuerden nur das Haushaltsdefizit erhoehen, zu einer hoeheren Inflation fuehren und das Vertrauen in die Wirtschaftspolitik untergraben. Was die Fiskalpolitik anbelangt, verfolgt die Bundesregierung bereits einen Expansionskurs. Eine weitere Ausweitung der Geldmenge ist nicht notwendig.

Die Bundesrepublik erzielt erhebliche Aussenhandelsueberschuesse. Diese Ueberschuesse sollen mittelfristig reduziert werden. Ein Anfang ist schon gemacht worden. So stiegen die Importe in den ersten acht Monaten des Jahres 1986 um 5 1/2 Prozent, waehrend bei den Exporten im gleichen Zeitraum lediglich eine Zunahme von 1 Prozent zu beobachten war. Dieser Trend wird sich voraussichtlich 1987 fortsetzen.

Insgesamt sind die Voraussetzungen fuer 1987 positiv. Diese Zuversicht beruht auf folgenden Faktoren: dem erwarteten Wirtschaftswachstum von 3 Prozent, der ueberdurchschnittlichen Importelastizitaet der Bundesrepublik Deutschland und den-verglichen mit den Vorjahren-realistischeren Wechselkursen.

Eine weitergehende kurzfristige Ankurbelung der deutschen Wirtschaft wuerde nicht zu einer Verringerung des amerikanischen Handelsbilanzdefizits beitragen. Dazu ist das deutsche Handelsvolumen mit den Vereinigten Staaten und das internationale Gewicht der deutschen Wirtschaft zu gering. Denn waehrend 67 Prozent der deutschen Importe aus europaeischen Laendern kommen, entfallen nur 7 Prozent der deutschen Einfuhren auf die Vereinigten Staaten. Im Exportbereich ist die Situation aehnlich. Der deutsche Anteil der amerikanischen Einfuhren macht nur 6 Prozent aus. Die Erfolge der deutschen Wirtschaft sprechen fuer sich selbst und zeigen, dass sich die Bundesrepublik Deutschland ihrer internationalen Verantwortung bewusst ist. ■

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The U.S.-Germany Economic Partnership: A Global Perspective

by Malcolm Baldrige
United States Secretary
of Commerce

The U.S-German commercial relationship is one of the most important in the world. Our bilateral trade amounts to more than $30 billion and this is only a partial measure of our commercial relationship. The investments our respective business communities have made in each other's economies have become the dominant feature of our partnership.

The German-American economic partnership is especially important because of the major role that our two countries play in the development and maintenance of the world trading system. As the two largest trading nations in the world, together accounting for nearly one-fourth of all world trade, we have a special responsibility in the world economy.

The task of the U.S. and Gemany is to provide the leadership bilaterally and multilaterally to move the global trading system forward so that the benefits of free trade are increasingly available to all countries. Our task is to provide economic leadership to bring about healthy and balanced growth in the world economy.

This means the U.S. must put its economic house in order by continuing its efforts to decrease its budget and trade deficits. The U.S. budget deficit has increased $138 billion since 1980 to $212 billion in 1985. This has attracted foreign capital and kept U.S. capital at home, thereby contributing to an excessively strong dollar. By living beyond its means, the U.S. has encouraged its large trade deficit growth.

I believe that the U.S. will significantly reduce its fiscal 1987 budget deficit. It will be difficult, but we are determined to make progress.

The global U.S. trade deficit, which totaled $148 billion in 1985, has exploded over the last six years. Bilaterally, the U.S. has typically run a trade deficit with Germany – only in 1965 and 1976 did the U.S. run a surplus. The U.S. deficit with Germany, however, has now ballooned, reaching $12 billion in 1985. This accounts for more than one-half of the total U.S. trade deficit with the entire European Community.

Since 1980, exports of U.S. manufactured goods to Germany have declined by 8 percent, while U.S. imports of manufactures from Germany jumped 80 percent. U.S. agricultural exports to Germany fell 50 percent during this period, while our agricultural imports from Germany have doubled.

In September 1985, the U.S. – with France, Germany, Japan, and the United Kingdom – agreed to bring the dollar down to a level reflecting its economic fundamentals. These efforts have been successful. From its early 1985 peak, the dollar has declined 35 percent against European currencies and 41 percent

These causes indicate that a cheaper dollar should not bear the full brunt of reducing the U.S. trade deficit.

against the Japanese yen. This should soon begin improving the severe U.S. trade imbalance with Germany and the world.

1. Causes of U.S. Trade Deficit

Three factors have led to our trade deficit. First, there was the strong appreciation of the dollar, which on a trade-weighted basis rose almost 50 percent between 1980 and 1985.

". . .Japan has great power in the world economy but has not taken the responsibility that comes with that power."

Vigorous U.S. economic growth was the second cause. The U.S. accounted for 70 percent of the total domestic demand in the OECD in 1983 and 1984, and more than one-half the demand in 1985. Strong GNP growth and even stronger domestic demand resulted in a voracious U.S. appetite for imports.

Third, there was weak demand overseas. Excluding the U.S., OECD domestic demand grew at a rate of 1.4 percent from 1980 to 1985. The slow growth of domestic demand relative to output generated little demand for imports, particularly from the U.S.

These causes indicate that a cheaper dollar should not bear the full brunt of reducing the U.S. trade deficit. This would not be in anyone's interest, because if this were the case, the dollar would have to fall considerably further. The Deutsche mark, for example, might have to rise considerably above 2 to the dollar. This would be of great concern to Germany's export-dependent mechanical engineering, motor, and electrical industries.

Shipping terminals in Brooklyn, New York.

2. Faster Global Economic Growth Needed

The cheaper dollar must be accompanied by faster global economic growth, particularly in Europe and Japan. Faster growth would enable the U.S. to reduce its harmful trade deficit and would give an urgently needed boost to the less developed countries (LDC).

In 1984 the U.S. consumed 57 percent of the LDC manufactured goods exported to industrial countries. In contrast, Western Europe accounted for only 27 percent, and Japan a mere 9 percent. As the U.S. trade deficit shrinks, Japan and Europe must become better export markets for the debt burdened LDC's.

To turn briefly to Japan, I feel that it must help reduce the enormous trade surpluses it has with both the U.S. and Europe. In Tokyo last July, I told Japanese government and business executives, "Japan cannot continue to live with its trading partners on the basis of ever-increasing exports and slow or static imports. By almost any measure, Japan has great power in the world economy but has not taken the responsibility that comes with that power." Economic expansion and stable employment must rely not on exports, but on domestic growth. Internal growth would allow Japan to increase imports without sacrificing its export markets.

Bilaterally, the United States has typically run a trade deficit with Germany. . .

The same goes for Europe. Its participation in promoting a better-balanced world economy must be to grow faster and shift to internally-generated growth. Unless European economic growth accelerates, unemployment-induced restrictive trade policies could jeopardize the relatively open transatlantic trade relationship the U.S. and Europe enjoy.

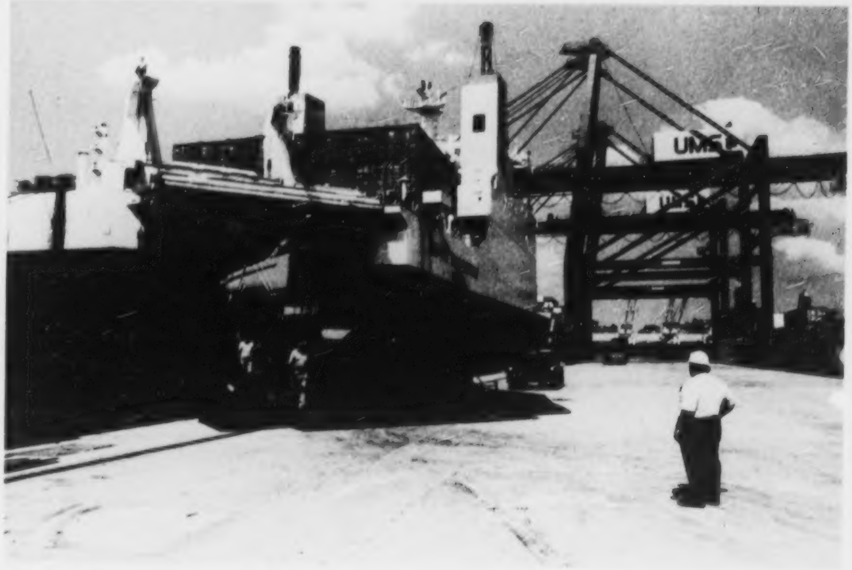
In the European Community, real GNP growth from 1960-75 averaged nearly 4.5 percent annually. From 1976-85, however, real economic growth slipped to an annual rate of only 2.1 percent. There has been almost no increase in employment since 1975. The unemployment rate that year was 4 percent. It is now over 11 percent.

The outlook for European economic growth in 1986 is favorable. Drastic declines in the price of oil could well push GNP growth to nearly 3 percent as lower inflation and higher real incomes boost spending. This increased demand is expected to more than offset the overall negative effect of increasing imports and moderating exports. Beyond 1987, however, the prospects for European growth are much less certain.

Forecasts of 2.0 percent real GNP growth out to 1990, coupled with 2-2.5 percent annual productivity gains, mean that the 4.5 million young Europeans entering the workforce between now and 1990 would not find work – and EC unemployment would rise to 13 percent.

Recognizing the need for more rapid growth, the EC Commission unveiled an economic program last year aimed at raising real GNP growth to an annual rate averaging 3.5 percent through 1990. The plan addresses the problems of slow growth and unemployment. It faces up to the fact that the EC countries must coordinate their economic policies in a way that would be aimed at concerted European-wide non-inflationary growth.

To succeed, the Commission's plan needs the cooperation of all EC members, especially Germany. Germany is Europe's largest economy, accounting for one-quarter of the EC's GNP and over 30 percent of its exports. It is rightfully looked upon for leadership in determining Europe's economic future.



Red Hook Container Terminal, Brooklyn, New York.

3. Germany's Economic Outlook Bright

Germany's economic outlook for 1986 is bright. Real GNP is expected to grow about 3.5 percent. Steadfast policies aimed at fiscal consolidation and monetary restraint have been successful. Germany's budget deficit, as a percent of GNP, has been steadily reduced from 3.7 percent in 1981 to 1 percent in 1985. Inflation is at a virtual standstill. The decline in oil prices, a 1986 income tax cut, and an increase in real wages should produce the highest level of domestic demand seen in years – perhaps 4 percent. The outlook beyond 1986 is uncertain, however. My friend, Minister Bangemann, recently stated that the German Economics Ministry expects real GNP to grow at an annual rate averaging 2.5 percent through 1990. If German GNP were to grow at this rate, other EC members would need to collectively grow at an annual rate of nearly 4 percent to meet the Commission's 3.5 percent EC growth goal.

Between 1980 and 1985, German GNP grew at an annual rate of only 1.2 percent.

While German accomplishments in achieving price stability and fiscal consolidation have been impressive, Germany would do well to take action now that would ensure significant growth in demand and employment over the next several years. Between 1980 and 1985, German GNP grew at an annual rate of only 1.2 percent. Domestic demand, however, grew at an even slower pace of 0.3 percent per year.

Given this and the fact that German output is now at least 10 percent below potential, there appears to be substantial room for further German growth through 1990 without triggering inflation.

The situation today differs from 1979, when Germany's attempt to pull the world economy resulted in high inflation and slow GNP growth. Considerable economic slack in the world today and depressed commodity prices – which in real terms are at their lowest levels in about 40 years – make the risk of renewed inflation remote.

4. Need for German Leadership

A path of sustained, non-inflationary economic growth for Europe cannot succeed without German leadership. This challenge is not so much one of becoming a locomotive for economic growth as in 1979. Rather, it is one of acting as a spark plug in the engine of growth. Germany's relationship with the rest of Europe is mutually reinforcing. Just as each spark plug in an engine contributes to steadily faster movement, Germany can provide needed momentum to European growth.

I know that Germany takes seriously its European and international responsibilities. This is amply demonstrated by the country's participation in coordinated interest rate reductions and leadership in the European Community. I am confident that by accepting the challenge of sustained non-inflationary European growth over the longer term, Germany could inspire renewed optimism for the future. Only Germany has the capacity to act in the leadership position for European growth. ■

Only Germany has the capacity to act in the leadership position for European growth.

DEUTSCHE ZUSAMMENFASSUNG

Die Wirtschaftsbeziehungen zwischen den Vereinigten Staaten und der Bundesrepublik Deutschland gehoeren zu den wichtigsten ueberhaupt. Der bilaterale Handel belaeuft sich auf ueber 30 Milliarden US-Dollar—und gegenseitige Investitionen verfestigen diese Wirtschaftsbeziehungen.

Beiden Laendern, die mit fast einem Viertel des gesamten Welthandels zu den groessten Handelsnationen gehoeren, kommt beim Erhalt und Ausbau des Welthandelssystems eine bedeutende Rolle und Fuehrungsaufgabe zu. Das Ziel ist, ein gesundes und ausgewogenes Wirtschaftswachstum zu garantieren.

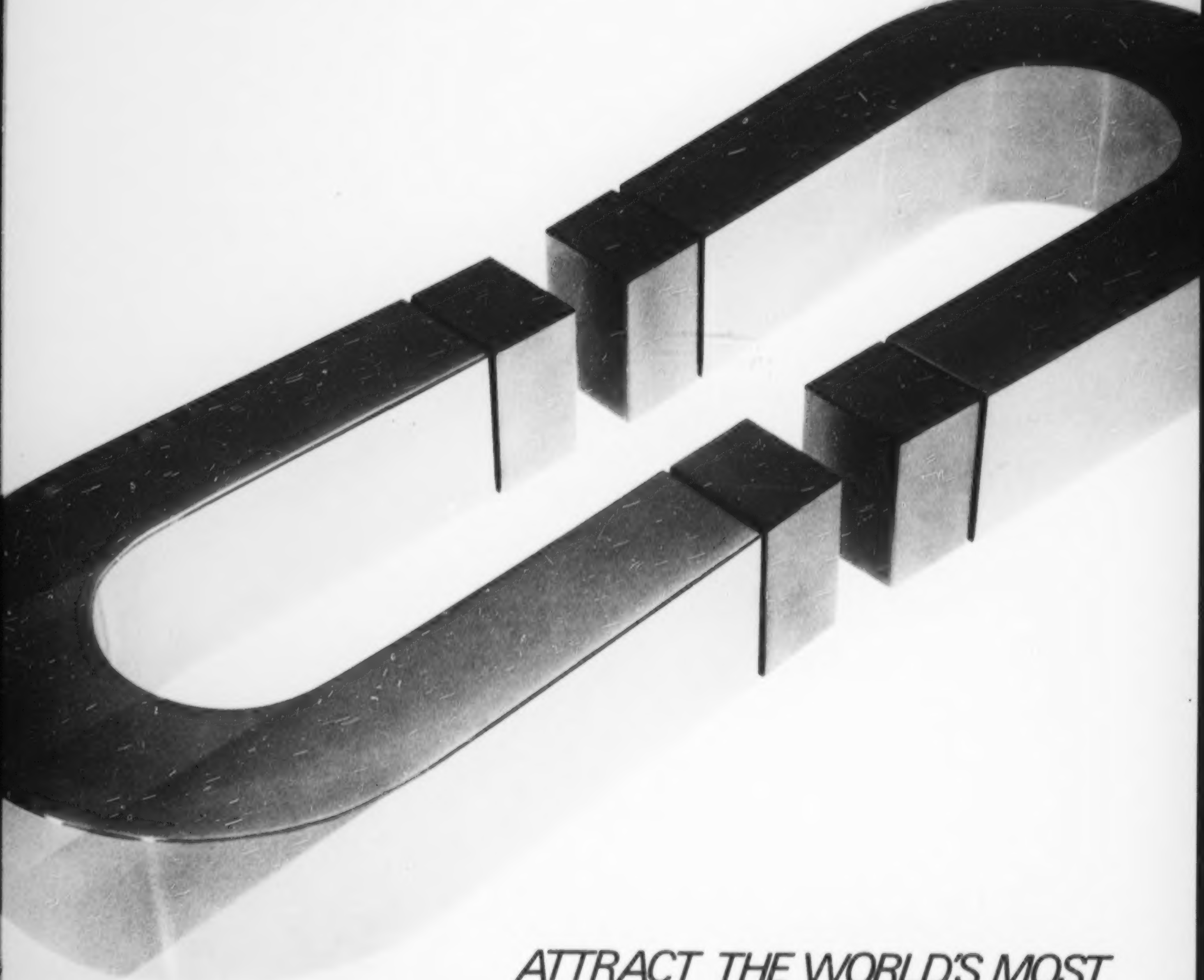
Die Vereinigten Staaten muessen deshalb sowohl ihr Haushaltsdefizit, das seit 1980 um 138 Milliarden US-Dollar auf 212 Milliarden US-Dollar in 1985 angewachsen war, wie auch ihr Aussenhandelsdefizit reduzieren. Dieses belief sich im Jahre 1985 auf 148 Milliarden US-Dollar, wovon 12 Milliarden Dollar auf die Bundesrepublik Deutschland, die traditionell einen Aussenhandelsueberschuss im Verhaeltnis zu Amerika aufweist, entfielen. Seit 1980 sind die amerikanischen Industrieexporte in die Bundesrepublik um 8 Prozent gesunken, bei einer gleichzeitigen Zunahme der deutschen Exporte nach Amerika um 80 Prozent. Amerikanische Agrarexporte reduzierten sich im gleichen Zeitraum sogar um 50 Prozent, waehrend sich die deutschen Ausfuhren von Lebensmittelprodukten in die Vereinigten Staaten verdoppelten.

Drei Faktoren sind ursaechlich fuer das amerikanische Aussenhandelsdefizit. Die erste Ursache ist in der Aufwertung des US-Dollar um fast 50 Prozent in der Zeit von 1980 bis 1985 zu sehen. Inzwischen ist der Dollar aufgrund gemeinsamer Anstrengungen auf eine realistischere Ebene gedrueckt worden —verglichen mit dem Hoechststand ist der Dollar gegenueber den europaeischen Waehrungen um 35 Prozent und gegenuber dem japanischen Yen um 41 Prozent gesunken—und die Auswirkungen auf den Aussenhandel werden bald spuerbar werden.

Der zweite Faktor war das starke Wirtschaftswachstum in den Vereinigten Staaten und die dadurch hervorgerufene starke Nachfrage nach Importwaren, und der dritte Grund ist in dem schwachen Bedarf des Auslands, bedingt durch das dortige geringe Wachstum, zu sehen.

Dies zeigt, dass eine weitere Dollarabwertung nicht das alleinige Mittel fuer die Behebung der Aussenhandelsungleichheit sein kann. Waere das der Fall, muesste der Wechselkurs zwischen US-Dollar und D-Mark deutlich unter 1:2 liegen. Vielmehr muss das Wirtschaftswachstum in der Europaeischen Gemeinschaft und in Japan erhoeht werden. In der Europaeischen Gemeinschaft waren in der Zeitspanne 1960 bis 1975 durchschnittliche Steigerungen des Bruttosozialprodukts von 4,5 Prozent zu verzeichnen, waehrend die Zuwachsrate des realen Wirtschaftswachstums von 1976 bis 1985 nur 2,1 Prozent betrug. Gleichzeitig stieg die Arbeitslosigkeit auf jetzt 11 Prozent an. Die Aussichten fuer 1986 und 1987 sind fuer die Staaten der Europaeischen Gemeinschaft, unter anderem bedingt durch die niedrigen Oelpreise, guenstig. Die EG-Kommission rechnet bis 1990 mit einem realen Wirtschaftswachstum von 3,5 Prozent pro Jahr. Der Bundesrepublik kommt dabei eine grosse Rolle zu. Ihr Bruttosozialprodukt stellt ein Viertel des EG-Bruttosozialprodukts und ihre Exporte ueber 30 Prozent der EG-Exporte dar.

Die Aussichten fuer die deutsche Wirtschaft sind positiv. 1986 wird mit einem Wirtschaftswachstum von 3,5 Prozent gerechnet, die Haushaltskonsolidierung hat gute Fortschritte gemacht und die Inflation ist annaehernd zum Stillstand gebracht worden. Jetzt gilt es, das Wirtschaftswachstum und die Nachfrage anzukurbeln. Der Bundesrepublik Deutschland kommt dabei nicht die Rolle einer Lokomotive fuer die Weltwirtschaft zu, vielmehr soll sie die Rolle einer Zuendkerze uebernehmen. Wie eine Zuendkerze soll sie den Motor der europaeischen Wirtschaft in Gang bringen und fuer ein verstaerktes Wachstum sorgen. Wenn die Bundesrepublik diese Herausforderung annimmt, ist Optimismus fuer die internationale Wirtschaftsentwicklung angebracht. ■



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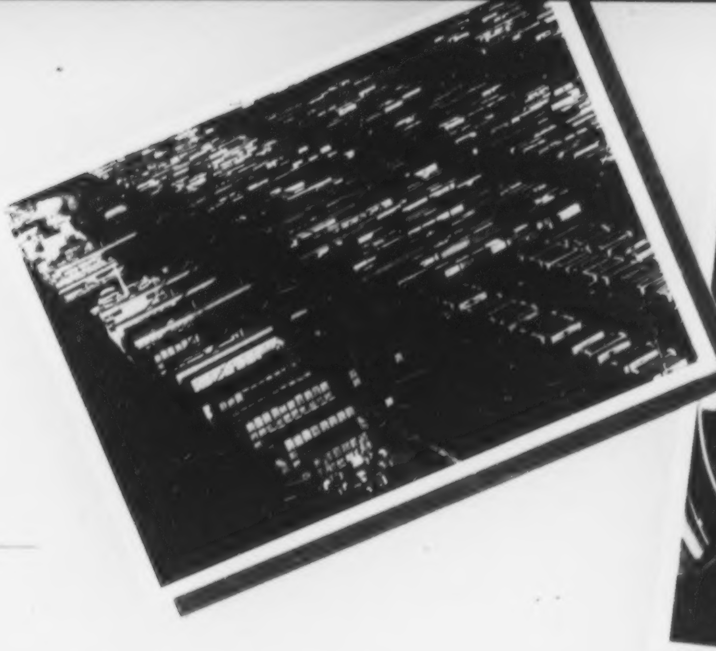

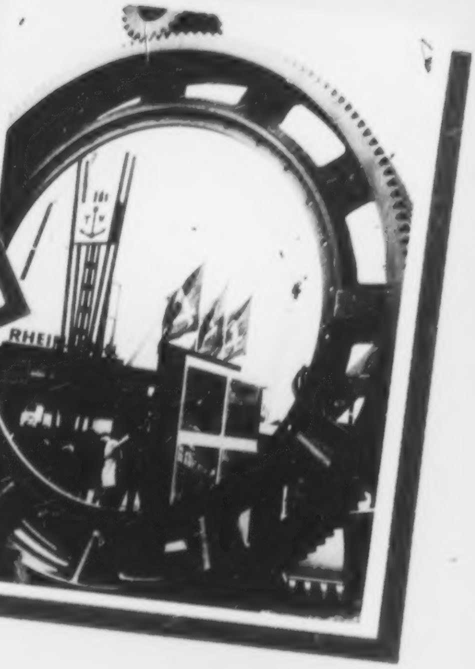

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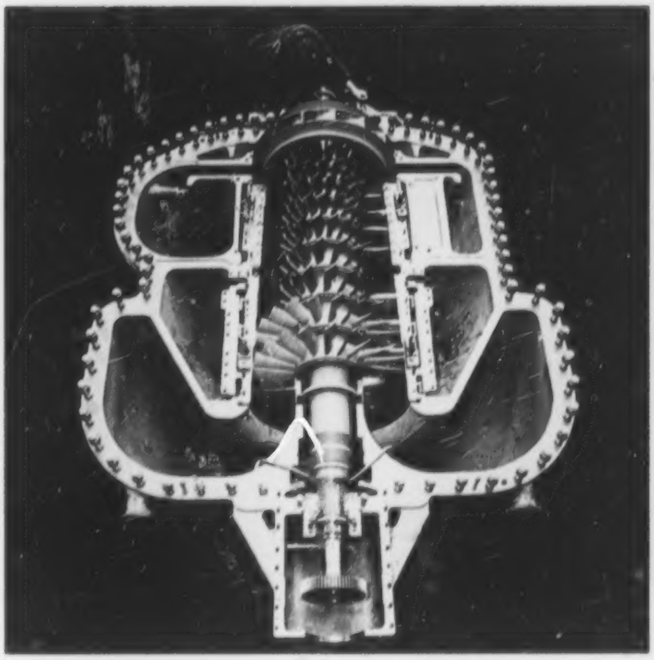

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GATT's Uruguay Round

by Clayton Yeutter
Ambassador
U.S. Trade Representative

During the next few years, representatives from 92 countries will be working on the most important and complex multilateral trade negotiation since the formation of the General Agreement on Tariffs and Trade (GATT) 40 years ago. At a time when the international trade system is under attack from all sides, these negotiations will determine whether free nations retain the courage and foresight to reverse global protectionist trends.

The decision to launch these negotiations, made this September by trade ministers and other representatives of the GATT nations at Punta del Este, Uruguay, was a tremendous victory for the principles of free and fair trade. The ministers unanimously agreed that GATT needs to be strengthened and made more efficient and that only comprehensive multilateral negotiations could accomplish this. These negotiations, which will be known as the Uruguay Round, will be held in Geneva over the next four years. We set an ambitious agenda for these talks because of the urgent need for reform of the world trading system.

Recent history demonstrates that there is no alternative to a healthy world trading system. GATT was formed nearly 40 years ago in the aftermath of World War II. The 23 nations that created GATT had seen uncontrolled protectionism prolong the Great Depression and undermine support for democracy. By joining together as "contracting parties" to the GATT, these nations committed themselves to a more free and open world trading system. They renounced protectionism, tore down trade barriers, and set off a period of prosperity unmatched in history. The founding of GATT was a tremendous achievement.

Unfortunately, over the past few years, GATT has become less relevant to the needs of modern commerce. The U.S. economy and the economies of the other GATT nations are simply not the same as they were four decades ago. We live in a world that is becoming more sophisticated each day. GATT's original mandate – to lower tariffs and establish rules for trade in goods – met the needs of the 1940s, but GATT has not kept pace with recent economic developments. As a result, there are few GATT rules to cover trade in many of our most important export sectors (such as agriculture and services) and even when rules do exist, they are often unenforceable.

. . . most critical agenda items are agriculture, services, intellectual property, investment and dispute settlement.

GATT's weaknesses have helped protectionists increase their influence in almost every country. Even in the United States, with its strong tradition of free and open trade, there are those who now wonder if it is still in our interest to follow GATT disciplines. They look at our $150 billion trade deficit and at the growing use of subsidies, non-tariff barriers and other GATT-illegal practices throughout the world and wonder why we are still a signatory to the GATT. They want us to take matters into our own hands and roll back imports through quota programs or require specified reductions in bilateral trade deficits through the use of surcharges.

Support for comprehensive trade talks came from countries of all characterizations. . .

Although we certainly share the frustration of those who can't understand why GATT allows our competitors to avoid their GATT commitments, the Reagan Administration rejects a protectionist approach. Rather than act rashly, enact trade barriers of our own, and render GATT completely impotent, we decided on a more positive approach – an approach that would enhance trade and return fairness to the system.

As we grappled with GATT's deficiencies, we became convinced that the only way to make it meaningful to the modern world was to expand GATT disciplines to cover all trade-related problems. This meant launching a new round with an agenda that included areas currently not addressed by GATT.

Although the United States was the most visible nation promoting a new round of trade talks, it was certainly not the only one. Support for comprehensive trade talks came from countries of all characterizations: developed, lesser developed and newly-industrialized; Northern and Southern, Eastern and Western. The Cairns Group (14 agricultural exporting nations that met in Cairns, Australia) were advocates of better rules for trade in agriculture. The so-called G-48 (a group of 48 nations that met in Geneva during the first half of 1986) developed a consensus on all the major issues, including services, intellectual property protection and investment, that served as the basis for the ultimate decision to launch the Uruguay Round. And in the end, there was unanimous agreement among all the Punta del Este participants to begin a new multilateral trade negotiation.

Every nation, of course, has different priorities for a negotiation as comprehensive as the Uruguay Round. For the United States and many other countries, the most critical agenda items are agriculture, services, intellectual property, investment and dispute settlement.

Agriculture

The failure to apply GATT rules to trade in agriculture is causing severe disruptions in farm communities around the world. Nation after nation has erected import barriers or provided export subsidies, leading to massive global trade distortions. Farmers are no longer competing against each other but against national treasuries. In nation after nation, farmers are discovering that being efficient producers is no guarantee of success; many productive farmers are having trouble making ends meet because of the practices of foreign governments. This frustration was exemplified by the Cairns Group, whose calls for strong language on agriculture surpassed even those of the United States.

Nation after nation has erected import barriers or provided export subsidies. . .

Imported autos off-loaded at Port Newark, New Jersey.

In Punta del Este, the GATT ministers offered hope to beleaguered farmers. All aspects of agricultural trade will be discussed during the Uruguay Round. At the top of our list are agricultural subsidies but we will also go after the full range of import restrictions, including those based on phony health standards.

The United States believes that agriculture is one of the most urgent issues to be discussed during the new round. Therefore, we will push to achieve concrete results as soon as possible; we hope within two years.

Services

Negotiations on services could have a profound impact on international trade. The large economic sector known as services (which contains such diverse industries as telecommunications, insurance, and tourism) is the fastest-growing segment of the U.S. economy. Three out of every four U.S. jobs are in service industries and 90 percent of all new jobs created in the U.S. during the next decade are expected to be in this sector. The same is true of Japan and most European nations. Yet there are no rules to oversee international transactions in this complex field.

Unfortunately. . .GATT has become less relevant to the needs of modern commerce.

The ministers in Uruguay agreed to negotiate both general and sector-specific rules in services. Some countries had wanted the negotiations on services to be conducted outside the GATT, separate from the other negotiations. The vast majority of nations rejected that approach as an attempt to treat services as a second class citizen in the negotiating process. We insisted that all the negotiations, including those on services, be conducted under the aegis of a single Trade Negotiating Committee. The entire exercise will be a single undertaking, carried out under the rules and procedures of the GATT, with staff support to come from the GATT Secretariat.

. . .we will also go after. . .import restrictions. . .based on phony health standards.

Containerized shipping, Port Newark.

Investment

The United States pushed to have investment included on the Uruguay Round agenda because the investment policies of many of our trading partners have caused distortions in trade and discouraged investment in the less developed countries.

In Punta del Este, the GATT nations agreed that expanding GATT discipline to cover investment issues would benefit all nations. The developing nations in particular would profit from creating an improved investment climate, with the LDCs who are heavily in debt being the major beneficiaries. They need to attract additional equity capital if they are to achieve the levels of economic growth necessary to service their debts.

Developed countries like the United States and the European nations would also profit from improved investment rules because of the distortions caused by export performance and domestic content requirements, which seem to be proliferating today.

By the conclusion of the talks, all GATT membes agreed that the Uruguay Round should examine the distorting effects of trade related investment measures, and negotiate improvements in that important area.

Intellectual Property Protection

For several years now, the United States has been deeply concerned about the inadequate protection under GATT for "intellectual property." In contrast to traditional property such as manufactured goods, intellectual property is not something that can be physically handled; it is produced by the mind, through research or creativity. In the United States, intellectual property is protected by patent and copyright laws, but such laws are not provided equally by all nations. The piracy of American intellectual property, through conterfeiting and patent and copyright infringement, costs U.S. producers billions of dollars annually.

Unfortunately. . .GATT has become less relevant to the needs of modern commerce.

In Punta del Este, many nations concerned with the problem of intellectual property piracy —developed and less developed alike— contended that intellectual property protection is a trade problem that should be addressed by the GATT. As a result, the Uruguay Round will help to develop a more effective multilateral system for preventing the piracy of intellectual property rights.

Dispute Settlement

One of the major functions of the GATT is to resolve disputes between its member nations. This function has broken down in recent years as nations have manipulated weaknesses in the dispute settlement process in order to squeeze out trade advantages for themselves. For example, it took years for us to settle a dispute with the European Community over their citrus preferences. And that occurred even though a GATT panel had given a favorable ruling on the U.S. complaint. Is it any wonder that the dispute settlement mechanism lacks credibility?

For these reasons, trade ministers in Punta del Este agreed that we need to strengthen the rules and procedures of the dispute settlement process.

Conclusion

Launching the Uruguay Round was a milestone, to be sure, but it was only the first step in a long process. The Uruguay Round will take several years to complete so we cannot expect quick results. Nevertheless, when the Uruguay Round is over, it should provide opportunities for productive exporters to compete fairly in world markets through the end of the century. A stronger and more efficient GATT will benefit exporters who demonstrate creativity, flexibility, and competitiveness, irrespective of where they are headquartered. ■

DEUTSCHE ZUSAMMENFASSUNG

In den naechsten Jahren werden die Vertreter von 92 Staaten an der neuen Verhandlungsrunde des General Agreement on Tariffs and Trade (GATT) teilnehmen. Das urspruengliche GATT-Welthandelsuebereinkommen, das vor fast 40 Jahren von 23 Staaten geschlossen worden war, hatte den Abbau protektionistischer Handelsschranken zum Ziel. Im einzelnen sah es die schrittweise Verringerung der Aussenhandelszoelle sowie den Abbau nichttarifaerer Handelshemmnisse vor. Das urspruengliche GATT-Abkommen stellte eine ungeheure Leistung dar und leitete eine in der Geschichte unerreichte Periode des Wohlstands ein. In der Folgezeit stellte sich heraus, dass GATT mit der rasanten Wirtschafts-und Handelsentwicklung nicht Schritt halten konnte. Fuer viele wichtige Aspekte der Wirtschaft, zum Beispiel die Landwirtschaft und der Dienstleistungsbereich, gibt es nur wenige international verbindliche GATT-Regelungen, und soweit solche existieren, werden sie oft nicht beachtet. Diese offensichtliche Schwaeche des GATT kommt den protektionistisch gesinnten Interessengruppen, die in allen Staaten vorhanden sind, entgegen. Auch in den Vereinigten Staaten gibt es Kraefte, die angesichts des Aussenhandelsdefizits von 150 Milliarden Dollar protektionistische Massnahmen wie die Errichtung von Einfuhrquotas und Zollerhoehungen fordern. Die amerikanische Regierung hat sich diesen Tendenzen mit Erfolg widersetzt, und sie forderte statt dessen die Einberufung der neuen GATT-Verhandlungsrunde, in deren Verlauf saemtliche Aspekte des Welthandels zur Sprache kommen muessen. Dabei geht es in erster Linie um: Landwirtschaft, Dienstleistungen, intellektuelles Eigentum, Investitionen und Streitbeilegung. Die Einberufung der neuen GATT-Runde entspricht auch dem Wunsch und Interesse der Mehrzahl der Unterzeichnerstaaten. Im Landwirtschaftsbereich existieren erhebliche Wettbewerbsverzerrungen, bedingt durch staatliche Handelsschranken, garantierte Abnahmepreise und Exportsubventionen. Diese Massnahmen haben zur weltweiten Landwirtschaftskrise beigetragen. In der neuen GATT-Verhandlungsrunde werden saemtliche Problembereiche angesprochen. Es besteht Anlass zur Hoffnung, dass innerhalb der naechsten zwei Jahre konkrete Ergebnisse erzielt werden koennen.

Im Dienstleistungsbereich fehlt es sowohl an allgemeinen als auch an branchenbezogenen GATT-Regelungen. Die neue GATT-Runde soll diesbezueglich Abhilfe schaffen. Dies ist wuenschenswert, zumal die Service-Industrien - dies gilt insbesondere fuer die Bereiche Telekommunikation, Versicherungswesen und Tourismus - derjenige Sektor der Volkswirtschaft ist, der in den Vereinigten Staaten, Japan und den westeuropaeischen Industrienationen die groessten Zuwaechse aufweist.

Da die Investmentpolitik der Mitgliedstaaten zu erheblichen Wettbewerbsverzerrungen im Handelsbereich gefuehrt hat, bestanden die Vereinigten Staaten auf Aufnahme dieses Punkts in den Verhandlungskatalog der neuen GATT-Runde.

Desweiteren wird es bei der neuen GATT-Runde um die Anerkennung und den Schutz intellektuellen Eigentums gehen. Dieses ist in den Vereinigten Staaten und den westeuropaeischen Industrienationen durch das Patent-und Warenzeichenrecht geschuetzt. In vielen anderen Laendern gibt es hingegen keinen effektiven Schutz. Die Verluste amerikanischer Produzenten infolge von Raubdrucken, Nachbildungen und unerlaubten "trademark" — Verwendungen erreichen Milliardenhoehe.

Im Rahmen der neuen GATT-Verhandlungsrunde geht es schliesslich um eine Verbesserung des Streitbeilegungsmechanismus im Rahmen des GATT. Dieses Instrumentarium, das sich in den letzten Jahren zunehmend als uneffektiv erwiesen hat, bedarf dringend einer Verbesserung.

Die neue GATT-Runde wird Jahre in Anspruch nehmen; mit schnellen Ergebnissen ist nicht zu rechnen. Nach Beendigung der Verhandlungsrunde wird es ein staerkeres und wirksameres GATT geben, was im Interesse saemtlicher Mitgliedstaaten liegt ■

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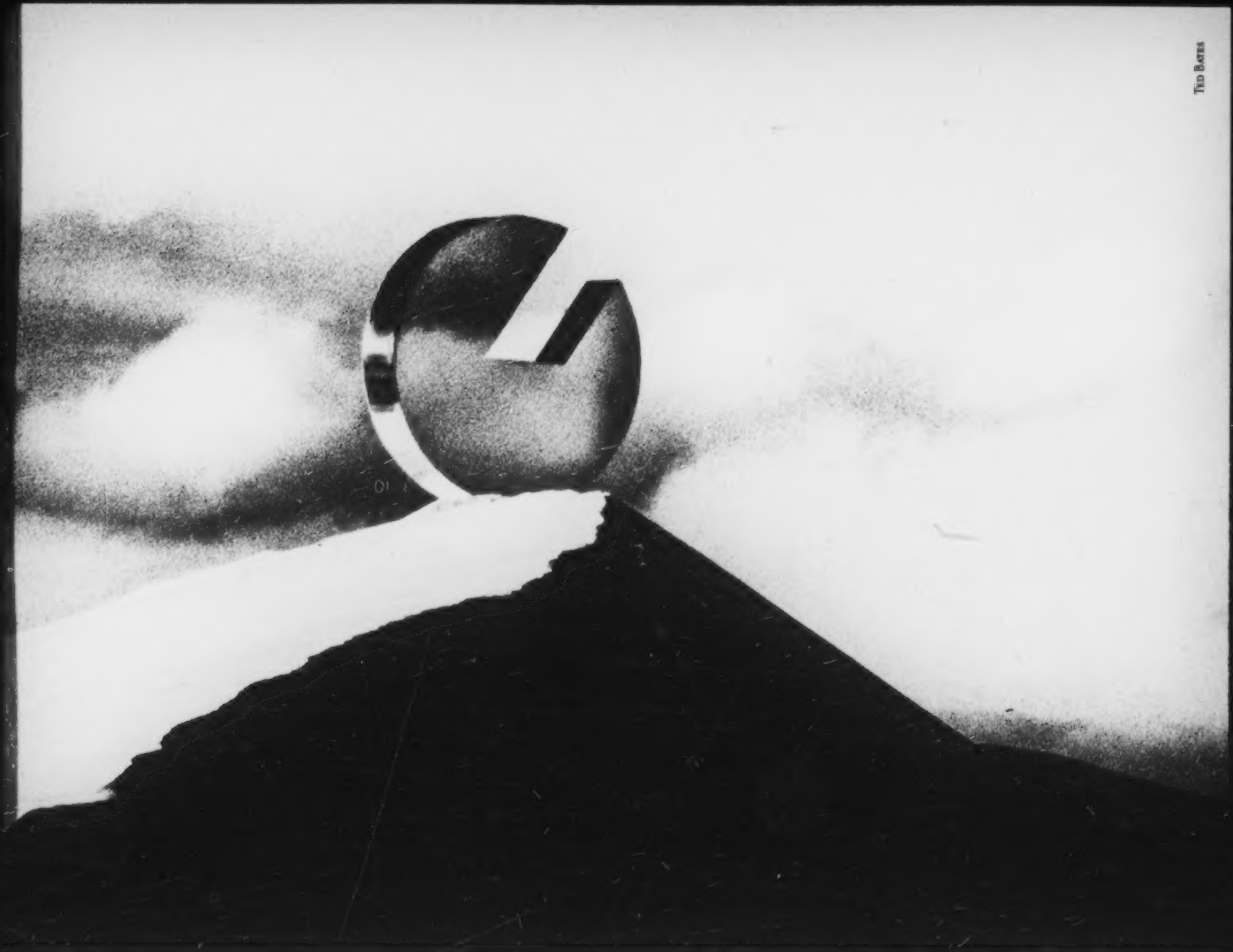

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German Trade Policy Objectives

by Dr. Otto Graf Lambsdorff
former Federal Minister of Economics Federal Republic of Germany

Trade is of much greater importance to the Federal Republic of Germany than to most other major industrialized countries. Goods and services exports account for 35% of the German Gross National Product (GNP). While the U.S. economy is independent of world trade in many fields, the Federal Republic of Germany must maintain a high level of exports in an effort to earn the foreign exchange needed to pay for imports of raw materials, finished goods and services. As a consequence, German industry has become so export-oriented that every fourth job directly or indirectly depends on exports.

In an industrialized country so greatly dependent on the world economy, trade is one of the outstanding elements of economic policy. German trade policy therefore fundamentally pursues the same objective as German economic policy as a whole:

- sustained and adequate growth
- stable prices
- high level of employment
- foreign trade equilibrium

Obviously, each of these objectives cannot always be given exactly the same attention, so priorities attached will eventually vary. Critical observers of German economic policy have repeatedly voiced the opinion that fighting inflation in Germany always enjoys top priority and that other objectives receive minor ranks. This view was held this past summer especially by commentators in the U.S.A. It is correct to point out that stable prices are currently of special importance as a basis of economic growth, employment and foreign trade equilibrium, but it would be wrong to assume that other objectives are being disregarded.

The Federal Republic of Germany has enjoyed a continued economic upswing since 1983. In that year the German GNP grew by 1.5%, in 1984 growth was 3%, in 1985 it was 2.4% and estimated growth for 1986 should be 3%.

The labor market has also been showing positive signs though improvements are still slow and lag behind the general upswing. Since the turn of the year 1983/84, when labor market trends were at their lowest, approximately 600,000 new jobs have been created.

The Trade Balance

Signals of the Federal Republic achieving the objective of foreign trade equilibrium are less obvious. At first sight the German trade balance surplus of 22 billion dollars recorded in the first six months of 1986 would contradict expectations for balanced foreign trade. The nominal value of the surplus is not, however, a fully

Trade policy in the Federal Republic aims at securing freedom of world trade and at contributing to its expansion through international cooperation.

Bank skyscrapers dominate the Frankfurt skyline.

accurate reflection of the real situation, given the most recent shifts in exchange rates and price declines in the oil and raw materials markets. If German import and export movements are viewed in terms of quantity, it becomes obvious that there has been a considerable process of change already since the fall of 1985 which will eventually result in a markedly smaller German trade balance surplus.

Change over preceding year
(volume)

	Imports	Exports
4th quarter 1985	+ 4.9%	+ 1.8%
1st quarter 1986	+ 2.8%	− 0.8%
2nd quarter 1986	+ 12.1%	+ 4.6%

The declining tendency of the trade balance surplus is obvious. This trend is expected to continue in the months to come, with imports expanding faster than exports (in volume terms). This positive movement on the import side confirms that, traditionally, there is high import elasticity in the Federal Republic of Germany. Generally speaking, German imports tend to expand twice as fast as the GNP. With its economic policy, the Federal Republic of Germany is even now contributing in important degrees to stimulating demand world-wide without any specific measures being necessary such as have frequently been demanded of late.

Elimination of the barriers to trade must be an on-going task. Without new liberalization measures the Contracting Parties of GATT will be living on the fruits of past tariff and trade rounds.

Long-term policies for structural improvements of growth forces are much more important than short-lived economic policy programs. There must be greater flexibility and mobility in all sectors of the German economy. This includes a cutback of red tape and of impediments to competition, a fully liberal labor market, a reduction of subsidies and an early decision on plans for a comprehensive tax reform. Attractive investment conditions will result in steady growth and rising demand. This will increasingly benefit the Federal Republic's trading partners and will produce a better foreign trade equilibrium next year.

Trade Policy

Trade policy in the Federal Republic aims at securing freedom of world trade and at contributing to its expansion through international cooperation. This is a strongly marked feature of political orientation. Free world trade and international economic cooperation add to mutually beneficial relations. This will strengthen peaceful relations worldwide, regardless of differences in the political, economic and social systems. Two-thirds of the Federal Republic of Germany's foreign trade is accounted for by trade with West European countries, 8% by trade with the U.S.A., 12% by trade with developing countries and 5% by trade with state-trading countries. The bulk of German trade is taken up by semi-finished and finished industrial products which represent more than 90% of exports and more than 75% of our imports. Unlike Japan, the Federal Republic's trade does not concentrate on specific regions or on categories of goods. It spreads over a wide range and is hardly dependent on specific markets or products.

At the same time, its close integration into world trade exposes it more than other countries to the dangers of protectionism. Defending the freedom of world trade is therefore one of the most important tasks of German trade policy. This objective is in conformity with the principles of GATT, whose provisions and disciplines are frequently endangered in everyday world trade. Without the GATT and its tariff and trade rounds, the unparalleled expansion of world trade through almost four decades would not have been possible. Even if some people in Paris occasionally scoff at the GATT saying "Le GATT du Papa est mort", the GATT – although it came into force only provisionally – has clearly demonstrated it viability up to this day. It is surely not by accident that the Americans have coined the motto "In GATT we trust" and that the Germans confide in "GATT with us". Both countries belong to the contracting parties whose foreign trade has benefited most from the GATT. However they would also be among the biggest losers if the GATT ceased to fufil its regulatory function in world trade.

The European Community

The Member States of the Common Market have progressively assigned responsibilities in trade policy and for GATT to the European Community. In the coordination of Community policy action, the Federal Republic of Germany is one of the strongest supporters of an open-minded forward-looking policy. Frequently, the result of Community coordination is a compromise between the free traders and the mercantilists among the Member States. Nevertheless, it has always been possible so far to find solutions that were in conformity with an open world trading system. The common customs tariff with average rates of between 5 and 6% is one of the lowest in the world.

The European Community was the first trading partner of the developing countries to introduce the Generalized System of Preferences. However, it would be totally wrong for the Community to rest on its laurels won in liberalization efforts of the past. Elimination of barriers to trade must be an on-going task. Without new liberalization measures the Contracting Parties of GATT will be living on the fruits of past tariff and trade rounds.

Priorities at GATT Talks

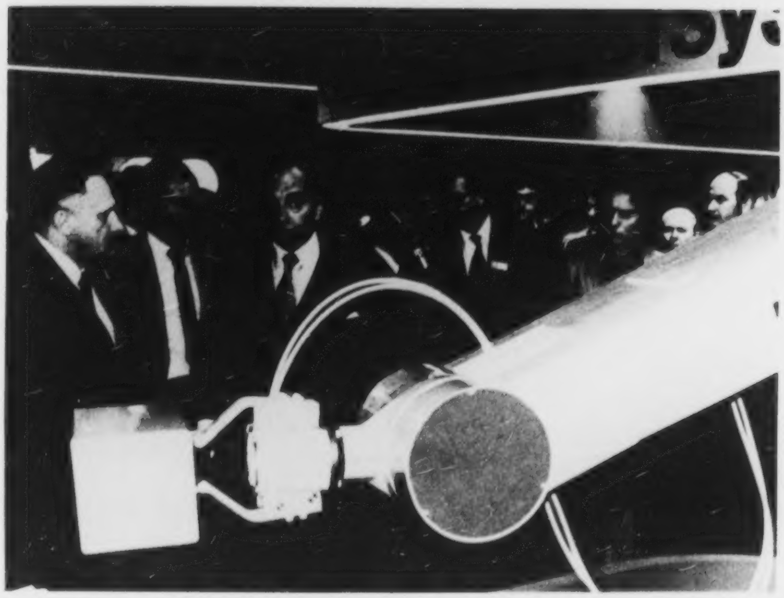
In the present world trade situation, I see protectionism in U.S. industry and in European agriculture as the biggest threat to international trade. I am therefore giving first priority to the new GATT round. Without the combined efforts of the major trading partners to facilitate further the mutual exchange of goods and services, opposition both in Europe and in the U.S. against the pressure for more import protection is bound to fail. Only a successful new GATT Round will silence skeptics and doubters on the two sides of the Atlantic.

In this context, German trade policy is faced with a dual responsibility:

1) Its first task is to convince all segments of the German economy, including agriculture, of the necessity of comprehensive negotiations within GATT.

2) It must bring its influence to bear on the European Community to live up to its responsibility as the world's largest trading partner.

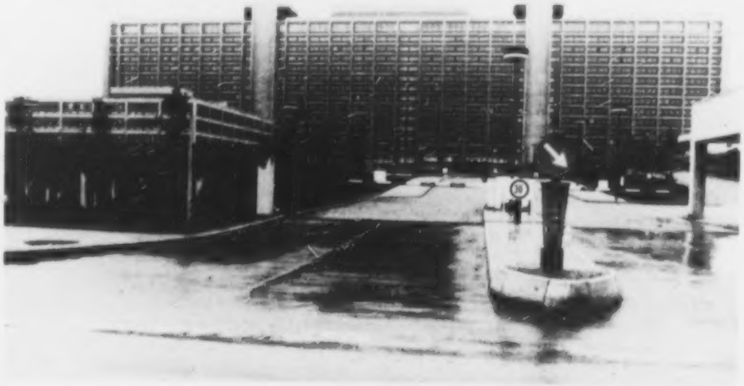
The Federal Government is fulfulling these two tasks with great dedication. It is in agreement with the associations of German trade and industry when it insists that the new GATT round is urgently needed and that negotiations must include the agricultural sector as well as services. Within the Community, Germany often assumes the role of mediator between Europe and the U.S. of America. However the task is becoming increasingly difficult as the danger signals are flashing up more often.



Count Lambsdorff inspecting robots and computers.

The negotiations in the GATT, previously agreed upon, for more discipline in the field of subsidies threaten to become anything but easy. I have never left any room for doubt that the Federal Republic of Germany is called upon in this context to set an example. This goes both for the industrial and the agricultural sector. I find it difficult to understand how, with a new round of multilateral trade negotiations agreed on, some representatives of German industry are calling for an adjustment of the German export credit insurance system to match certain practices of foreign competitors while we are set to progressively dismantle these same practices. Nor do I see any point in the European Community emphatically justifying its system of agricultural export restitution. Such restitutions are nothing but donations by the Europe-

Main building of the Deutsche Bundesbank, the German federal bank, in Frankfurt.



an taxpayer to foreign buyers who often show little apreciation of such benefits. Such blunders can, of course, not be repaired unilaterally: mutual efforts are necessary if a balanced state of international agricultural trade is to be restored. The U.S. will therefore also have to accept negotiations in the GATT on its agricultural waiver.

Protectionism

Implementation of a liberal trade policy of the European Community is not being facilitated if U.S. industry continually clamors for protective measures and demands the inclusion of ever new products in special agreements, e.g. in the fields of textiles or steel. The American public should be aware that the rest of the world readily takes the conduct of the U.S. as an example. In conformity with its interest, the Federal Republic of Germany will do everything in its power to ensure that the European Community will, in the new GATT Round, stand up for more freedom in the world economy. This is the most important objective of international trade policy now. ■

DEUTSCHE ZUSAMMENFASSUNG

Waehrend die Vereinigten Staaten weitgehend vom Welthandel unabhaengig sind, spielt der Aussenhandel fuer die Bundesrepublik Deutschland eine bedeutende Rolle: Der Export von Waren und Dienstleistungen macht 35 Prozent des deutschen Bruttosozialprodukts aus. Die Bundesrepublik ist darauf angewiesen, die Exporte auch weiterhin auf dem hohen Stand zu halten, um fuer die mannigfachen Importe aufkommen zu koennen.

Deshalb ist die Handelspolitik von so grosser Bedeutung. Sie steht im Einklang mit der allgemeinen Wirtschaftspolitik und hat folgende Zielsetzungen:

—Anhaltendes und angemessenes Wachstum;

—stabile Preise;

—hohe Beschaeftigung;

—Aussenhandelsgleichgewicht

In der Bundesrepublik Deutschland gibt es seit 1983 einen wirtschaftlichen Aufschwung zu verzeichnen mit Wachstum des Bruttosozialprodukts im Jahre 1983 um 1,5 Prozent, 1984 um 3 Prozent, 1985 um 2,4 Prozent und einer erwarteten Steigerungsrate fuer das Jahr 1986 von 3 Prozent. Auf dem Arbeitsmarkt gibt es positive Signale. Seit 1983/84 wurden ungefaehr 600.000 neue Arbeitsplaetze geschaffen. Die Bundesrepublik hatte im ersten Halbjahr 1986 einen Aussenhandelsueberschuss in Hoehe von 22 Milliarden US-Dollar. Quantitativ betrachtet ist seit dem Herbst 1985 eine Verringerung der Ueberschuesse zu beobachten. Es ist zu erwarten, dass sich dieser Trend mit hohen Einfuhren noch fortsetzen wird.

Die deutsche Wirtschaftspolitik traegt zusaetzlich dazu bei, die weltweite Nachfrage anzuregen, ohne dass es besonderer Massnahmen bedarf, wie sie kuerzlich von verschiedener Seite gefordert worden sind. Wichtiger als kurzfristige Wirtschaftsprogramme ist eine langfristig angelegte, auf Foerderung der Wachstumskraefte gerichtete Politik. Dazu gehoert: die Beseitigung von buerokratischen Hemmnissen und Wettbewerbsbeschraenkungen, die Schaffung eines freien Arbeitsmarktes, die Reduzierung von Subventionen sowie eine umfassende Steuerreform.

Die deutsche Handelspolitik hat die Sicherung des freien Welthandels und die Ausweitung des Handelsvolumens durch internationale Zusammenarbeit zum Ziel. Dadurch werden die friedlichen Beziehungen, unabhaengig vom jeweiligen politischen, wirtschaftlichen und sozialen System des Handelspartners, gestaerkt.

Ungefaehr zwei Drittel des deutschen Aussenhandels wird mit westeuropaeischen Staaten abgewickelt, 8 Prozent entfallen auf die Vereinigten Staaten, 12 Prozent auf Entwicklungslaender und 5 Prozent auf die Staatshandelslaender. Den ganz ueberwiegenden Anteil machen halbfertige und fertige Industrieprodukte aus. Im Gegensatz zu Japan gibt es keine Konzentration auf wenige geographische Regionen oder Produktgruppen.

Wegen ihrer engen Verbundenheit mit der Weltwirtschaft ist die Bundesrepublik Deutschland mehr als andere Laender durch den Protektionismus bedroht, und die Aufrechterhaltung des freien Welthandels ist fuer sie von besonderer Wichtigkeit.

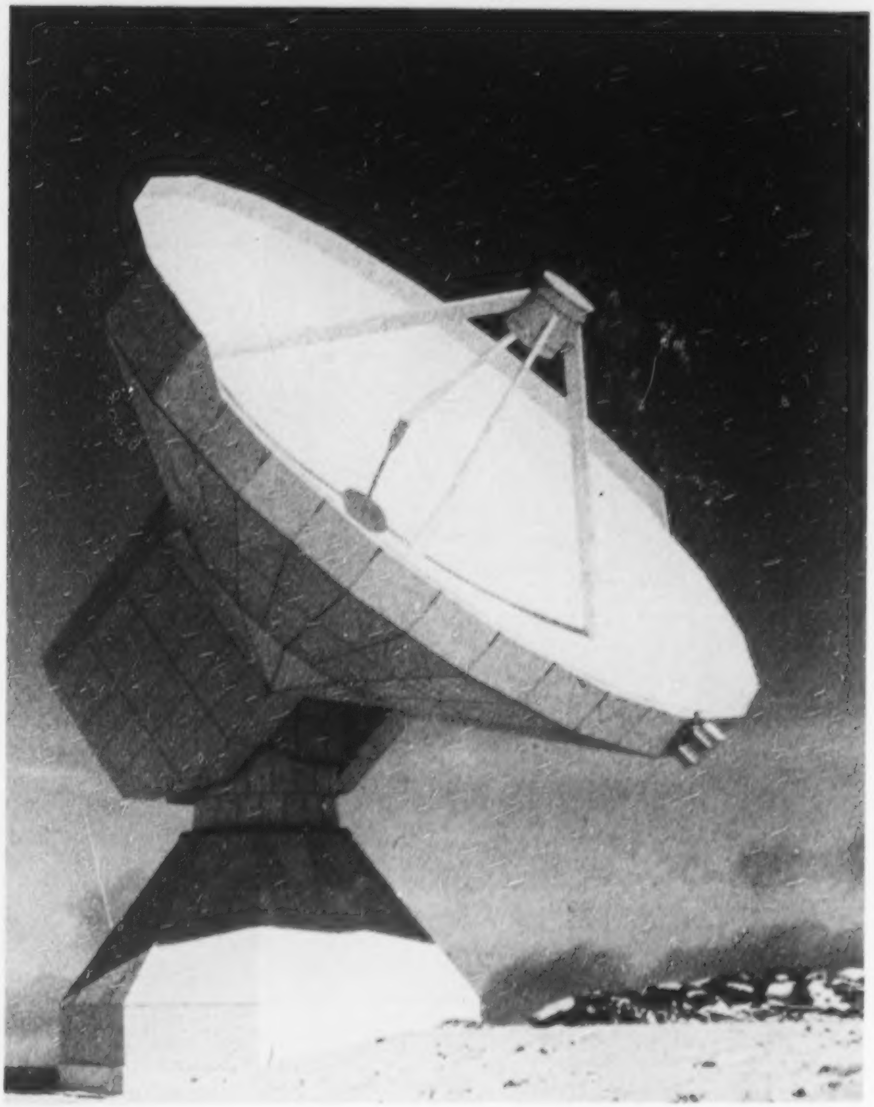
Dieses Ziel steht im Einklang mit den Prinzipien des GATT, die sowohl von den Amerikanern, die das Motto "in GATT we trust" verwenden, wie auch von deutscher Seite (das vergleichbare Motto lautet "GATT mit uns") hochgehalten werden. Das gilt auch fuer die Europaeische Gemeinschaft, in der die Bundesrepublik die Prinzipien von GATT besonders nachhaltig vertritt.

Trotz bisheriger Erfolge gilt es, fuer eine weitere Liberalisierung einzutreten. Heute gibt es noch Protektionismus in der amerikanischen Industrie und in der europaeischen Landwirtschaft. Diesen Tendenzen sollte in der neuen GATT-Runde entgegengetreten werden. Der deutschen Handelspolitik kommt in diesem Zusammenhang eine zweifache Verantwortung zu:

1. Es ist ihre Aufgabe, die deutsche Wirtschaft einschliesslich der Landwirtschaft von der Notwendigkeit umfassender Verhandlungen im Rahmen des GATT zu ueberzeugen und

2. sie muss ihren Einfluss in der Europaeischen Gemeinschaft geltend machen, dass die EG ihrer Verantwortung als groesster Handelspartner gerecht wird.

Die Bundesrepublik Deutschland kommt dieser Aufgabe nach und ist im Verhaeltnis zu den Vereinigten Staaten oft in der Rolle eines Vermittlers. Im Rahmen des GATT muss sie ein Beispiel setzen und sich gegen Subventionen sowohl im Industrie—wie im Landwirtschaftsbereich aussprechen. Aber auch die Vereinigten Staaten sind aufgerufen, sich protektionistischen Tendenzen, wie sie im Stahl—und Textilbereich spuerbar sind, zu widersetzen. Die wichtigste Aufgabe der internationalen Handelspolitik ist das entschlossene Eintreten fuer mehr Freiheit im Welthandel. ■



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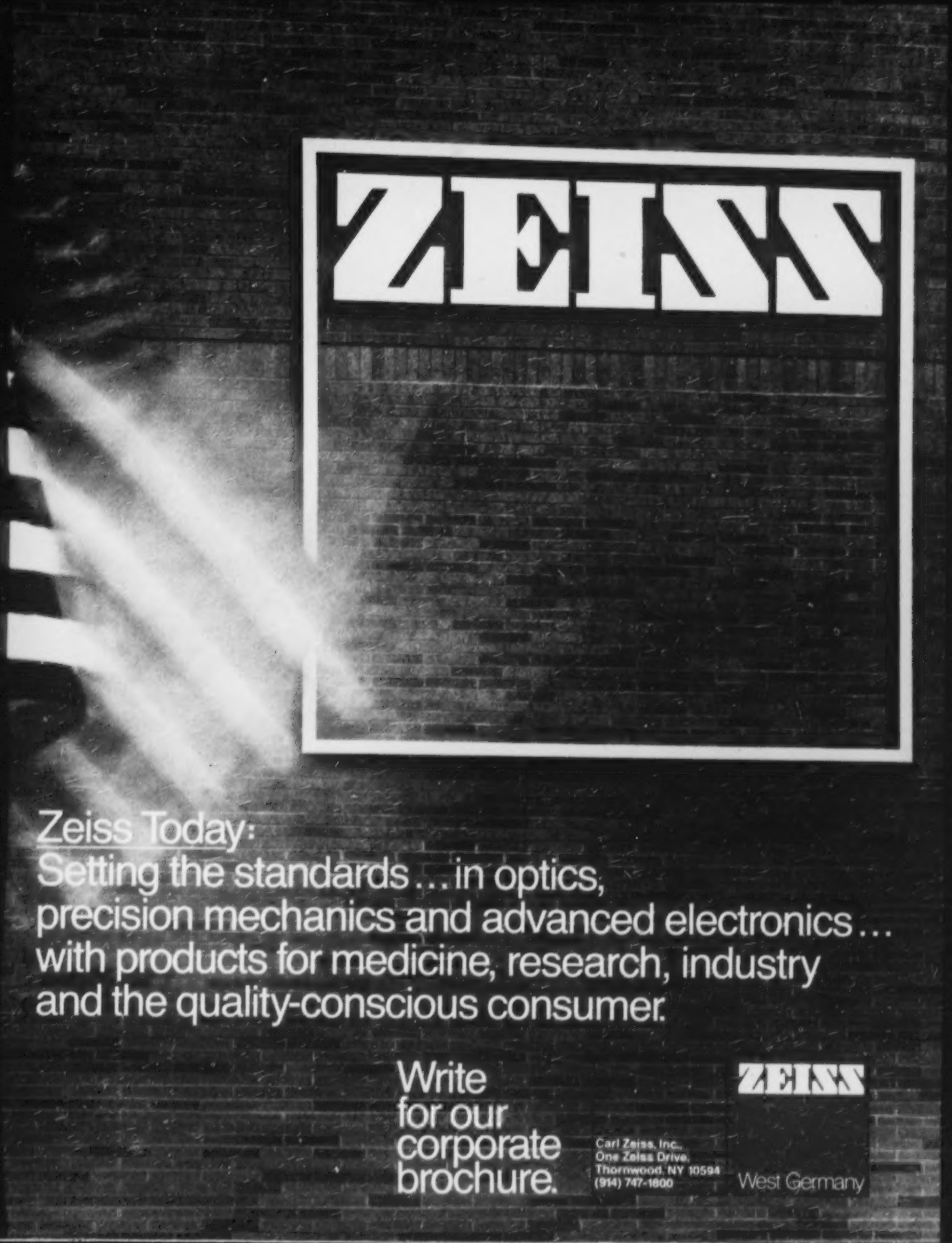

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Aussichten fuer den amerikanischen Export nach Deutschland

Prospects for American Exports to Germany

by Juergen Reimnitz
Member of Board of
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Contrary to widespread belief, the West Germany economy is moving at a rather brisk rate. Present forecasts suggest an overall growth rate of 3% this year and in 1987 as well; Broadly speaking, this is the same pace as the U.S. or Japan. As exports slacken, the home economy will expand much faster, and the country will need more imports. In fact, the nation will increase its purchase of goods abroad by 7% in real terms both in 1986 and 1987.

West Germany: An Economy on the Move

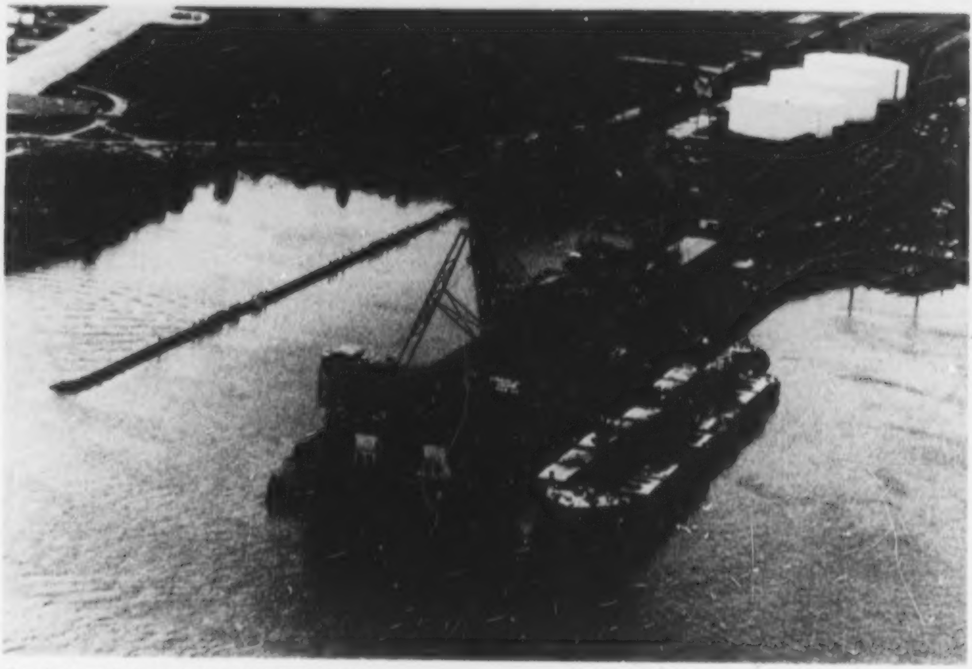
This means that the Federal Republic is a rapidly growing market for imports, and not only for raw materials. In fact, basic commodities – without food, but including energy – account for little more than one quarter of West Germany's import bill. Finished and semi-finished goods make up nearly two-thirds. These are roughly the same ratios as trade inflows into the U.S. exhibited a few years ago. In the meantime, the strong dollar and voracious demand for imports have distorted the relationship so that currently raw materials comprise somewhat less than one fifth and manufactures account for three-quarters. Japan, by contrast, displays a markedly different pattern (60% crude materials and only 30% industrial goods).

These instances of import protectionism in Europe – mainly involving agricultural products, textiles, and steel – spring from the jointly agreed policies of the European Community. West German control over such issues is essentially limited to the power of veto, which every member government has. It cannot, therefore, really expect to be able to initiate radical changes in these policies, no matter how dedicated its successive governments may have been to free trade principles.

The situation is somewhat similar regarding electronic equipment for telecommunications. From time to time, accusations are made to the effect that the Postal Ministry's purchasing policies are not entirely open to all comers. In reality, though, the orders go to several purveyors, some of them foreign-owned, and government ministries encourage competition as much as possible. I would not claim that the record is spotless, but most of the German firms involved also face similar problems abroad, and the telecommunications industry is arguably at least as much sinned against as sinning.

An Accessible Market in West Germany

Overall, I would venture to say that West Germany has a reasonably accessible market. Petroleum refining is a case in point. Many large countries consider this industry to be strategic and will not allow foreigners to hold market shares above a very low level. The Federal Republic imposes neither limits on imports nor on foreign ownership of factories. It is also



Loading coal, Conrail Pier 124, Philadelphia.

among the very few countries that do not apply currency exchange controls or limit profit transfer by other means. To be sure, this policy is in our own best interest and has served us well in the past. During the two oil crises of 1973/74 and 1978/79, for instance, oil companies were allowed to continue setting their prices as they saw fit. Many other countries, including the U.S., adopted price controls of one kind or another. In West Germany, this resulted in prices going up fast and then coming down just as rapidly, fluctuating with world market conditions. Today, our gasoline prices are among the lowest in Europe, despite a more or less average level of taxation.

The automobile industry provides another interesting example. Today, over a quarter of all cars sold in West Germany are imported. About 15% come from other European countries, around 10% from Japan, and almost none at all from the U.S.. If the two wholly American-owned car makers however are taken into account, the U.S. emerges as the biggest supplier.

. . . the U.S. has long been established in West Germany's mechanical and electrical engineering markets.

Data on industry sales and foreign trade show that about one-third of the goods sold in West Germany come from abroad and a similar percentage of German factories' output is sold to customers in other countries. While the Federal Repubic's share of total free-world exports has remained largely the same over the past few years, its imports of manufactured goods have increased considerably. The successes of Japanese firms in West Germany tell the story very well.

. . . the Federal Republic is a rapidly growing market for imports . . .

Increasing desire for foreign goods

At present, a new dynamism is flowing through the economy. For the first time in two decades, there are serious attempts to reduce the weight of the public sector and sell off government-owned firms. At the same time, changes in life-styles have clearly shifted the focus in West German society toward private consumption. There is an ever-increasing readiness to try out new ideas, and foreign ones usually have special appeal.

This is due to the sense of luxury conveyed by non-domestic goods, and there are American suppliers who know how to take advantage of the impression. The introduction of California wines was quite a success. Cigarettes are an even more conspicuous example. American brands make up about 40% of the tobacco imported into West Germany.

Air Freight increasingly important for exports, Kennedy Airport.

The range of goods that do not specifically advertise their American background, but still figure prominently among imports, includes books. Here, only the German-speaking contries of Switzerland and Austria rate above the U.S., the latter being the third-largest supplier but ranking first in foreign language publications, far ahead of even Britain.

Finished and semi-finished goods make up nearly two-thirds.

In addition, the U.S. has long been established in West Germany's mechanical and electrical engineering markets. This goes for the whole range of this particularly segmented industry, not just for the electronics part. However, electronic applications are inherent in many aspects of machinery design and operation. Hence, the strength of the American position in this field is not altogether surprising.

The U.S. also has a very efficient agricultural and forestry products sector. West Germany buys from it a good deal of its rice, fruit, and animal feed, covering to a considerable degree its lumber, timber, and plywood requirements in the U.S., too.

Morehead City, N.C., state operated bulk coal loader.

Overall, I would venture to say that West Germany has a reasonably accessible market.

American direct investment in West Germany

The U.S. is by far the largest single direct investor in the Federal Republic. These assets are worth a good 20 billion U.S. dollars (43 billion DM) representing 30% of all foreign direct investment in West Germany, and yet only a little less than 2% of total U.S. direct investment abroad.

U.S. interests in German firms are larger than those of all the other EC countries combined. High transportation costs may be a key factor behind this phenomenon, as in a number of cases it may be unprofitable to serve this overseas market from a home base, and so, as a result, the entire production has been shifted into the targeted market.

. . .changes in life-styles have clearly shifted the focus in West German society toward private consumption.

All of this leads to two conclusions. The first is that the economic relationship between our two countries has grown so mature that the export of ideas, blueprints, and management techniques has become as important as the sale of manufactures. The second is the tremendous expansion of the service sector, which is also characteristic of advanced economies.

Exporting of services ever more important

It may not be common knowledge that West Germany is one of the world's largest importers of services, second only to the U.S.. Of this, travel comprises about a third, followed by dividend and interest payments to non-residents (about one-fifth), with transportation and insurance occupying the third place. Together they make up two thirds of the total.

Most of the West Germany travel budget is spent in Mediterranean or other European countries. The U.S.' share is, of course, small (3% only) – cost being the obvious reason. However, the U.S. is the non-European country where West German travellers spend most. Business travel, which is included in these statistics, helps explain this fact. Although it would be futile to argue that tourism could be the answer to the trade problem, given the weaker dollar, I do expect to see more Germans spending their vacations in America.

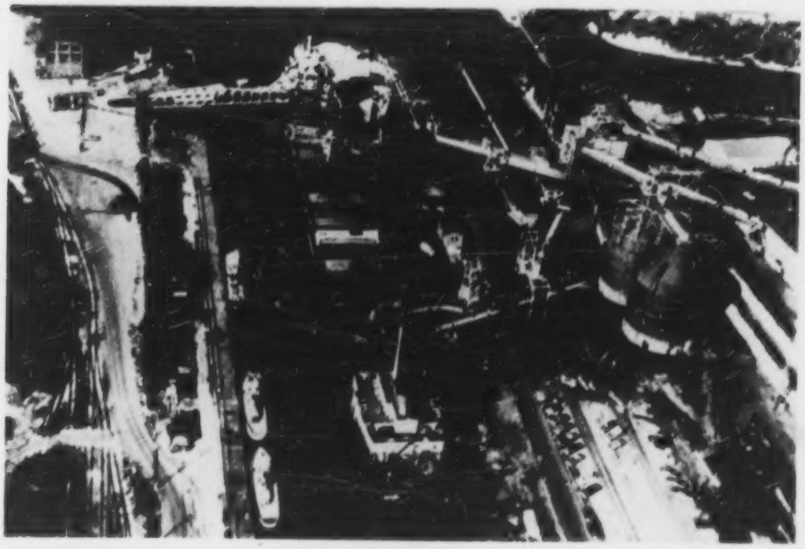
Worldwide, the financial industry has potential for vast growth. In the case of West Germany, sums earned abroad, beyond interest, are still small, especially when compared with Britain and Switzerland. The far-reaching effects of deregulation in this sector – on either side of the Atlantic – has brought new names to Frankfurt, and those who were already there are expanding vigorously. U.S. financial institutions, too, have the opportunity to participate in a fast-growing market. While traditional banking essentially seems to have reached its limits, the real challenge is now in services, which include investment banking.

. . .the real challenge is now in services, which include investment banking.

Lower dollar helps American exports

While German exports to the U.S. rose rapidly when the U.S. dollar was strong, exchange rates are now working in the other direction. Last year, 7% of all German imports came from the U.S.; down from 8% in 1980 and 1981. As American goods become more competitive in D-mark terms, however, their overseas sales should expand.

Coal loading terminal at Conneaut, Ohio on Lake Erie.



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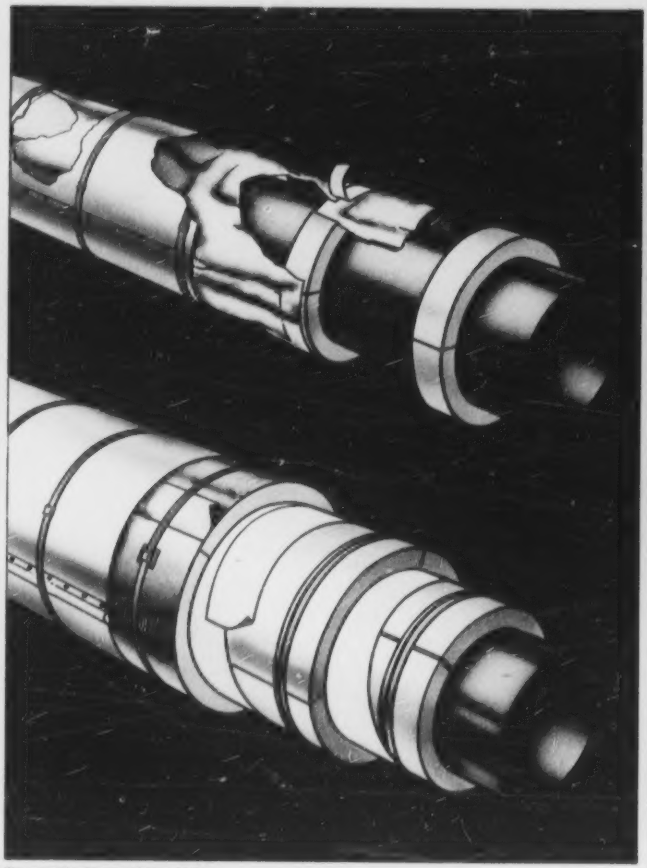

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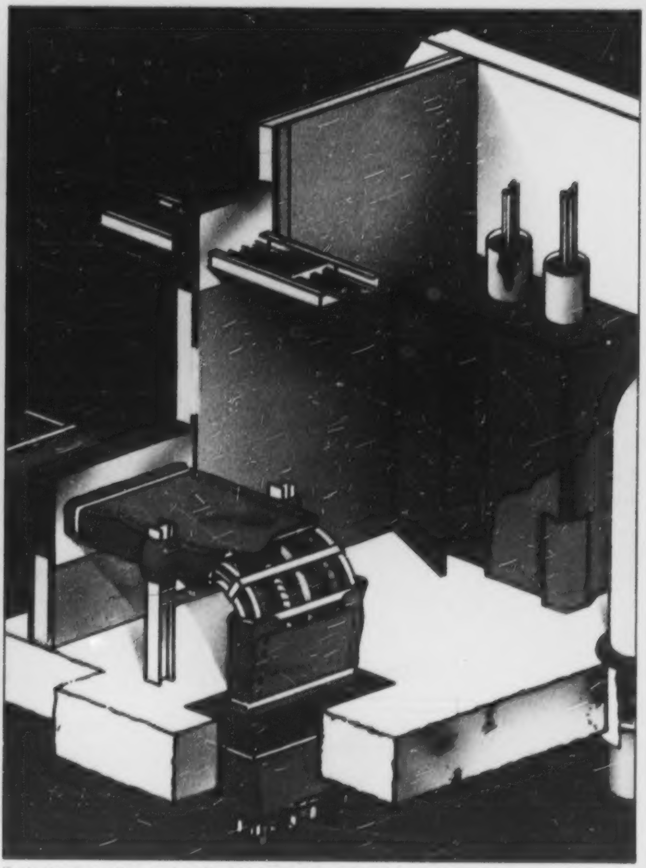

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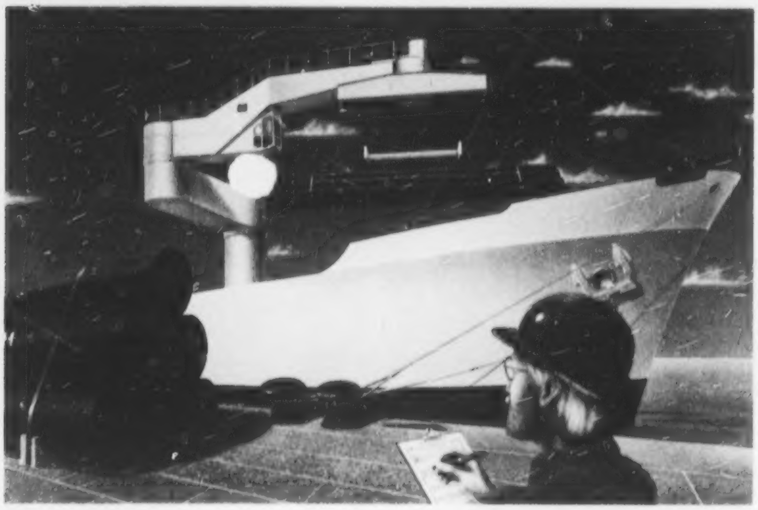

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We are likely to see such trade grow ever more sophisticated. Standard fare will have little chance of raising its market share, whereas high-technology products that are still ahead of their rivals will continue to soar.

The danger of import protectionism is always present. Yet if current forecasts are to be believed, the fall in the value of the dollar will also drive imports out of the American marketplace and so lessen the pressure on local industry. Moreover, I feel that the European Community is less disposed to close its markets for particular products than it was a few years ago. Therefore, in the end, trade disputes should abate rather than intensify.

American goods, which have traditionally enjoyed a good reputation in West Germany, can now find additional outlets thanks to the latter's expanding economy and strong currency. I believe that our market should continue to be studied and, whenever possible, tackled. I am sure that its potential is still far from being utilized. ■

DEUTSCHE ZUSAMMENFASSUNG

Die deutsche Konjunktur bietet zur Zeit ein recht freundliches Bild. In diesem und im kommenden Jahr duerfte das Wirtschaftswachstum jeweils 3 Prozent erreichen; etwa genauso viel wie in den Vereinigten Staaten oder Japan. Waehrend die Exporte auf der Stelle treten, werden die Einfuhren kraeftig steigen (um voraussichtlich 7 Prozent in diesem und im kommenden Jahr).

Der deutsche Importbedarf beschraenkt sich keineswegs nur auf Rohstoffe; Halb- und Fertigwaren machen zwei Drittel der Gesamteinfuhr aus. Eine vergleichbare Quote wiesen die Vereinigten Staaten noch vor einigen Jahren auf, bevor Dollarhoehenflug und ueberbordende Nachfrage nach Auslandsguetern die Relationen verzerrten. Im Gegensatz dazu wendet Japan etwa 60 Prozent seiner Einfuhrausgaben fuer Rohstoffe und nur 30 Prozent fuer Halb- und Fertigwaren auf.

Europaeischer Importprotektionismus, im wesentlichen bei Agrarprodukten, Textilien und Stahl ist gemeinsame EG-Politik, auf die die Bundesregierung keinen bestimmenden Einfluss hat, auch wenn diese Massnahmen haeufig ihren eigenen Ueberzeugungen zuwiderlaufen.

Auch bei der Nachrichtentechnik gibt es—allerdings weniger begruendete—Vorwuerfe restriktiver Beschaffungspraktiken durch die deutschen Behoerden. Hier besteht aber Wettbewerb unter mehreren Anbietern.

Von den genannten Faellen abgesehen, ist der deutsche Markt sehr offen. Die Mineraloelverarbeitung ist ein bezeichnendes Beispiel. Viele Laender betrachten diese Branche als Schluesselindustrie und gestatten nur sehr geringe Auslandanteile. In der Bundesrepublik Deutschland gibt es hingegen keine Restriktionen. Als die beiden Oelkrisen von 1973/74 und 1978/79 ausbrachen, wurden auch keine Preiskontrollen eingefuehrt, auf die nicht einmal die USA verzichtet haben. Heute gehoeren die deutschen Benzinpreise-trotz keineswegs geringer Besteuerung-zu den niedrigsten in Europa.

Ein anderes Beispiel ist die Automobilindustrie. Ueber ein Viertel aller auf dem deutschen Markt abgesetzten Wagen stammt aus dem Ausland; etwa 15 Prozent aus europaeischen Laendern und rund 10 Prozent aus Japan. Aus den USA werden praktisch keine Wagen eingefuehrt. Stellt man aber den Anteil der Tochtergesellschaften von US-Firmen in Rechnung, sind die Vereinigten Staaten der groesste Lieferant.

Insgesamt machen Importe etwa 30 Prozent des deutschen Industrie-Umsatzes aus. Waehrend unser Anteil an den Weltexporten im wesentlichen gleich geblieben ist, stieg die Quote am Weltimport von Fertigwaren an. Besondere Erfolge auf dem deutschen Markt konnte Japan erzielen.

Soziologische Wandlungen haben den Trend zur Konsumgesellschaft in Deutschland nachhaltig verstaerkt. Die Verbraucher sind heute mehr denn je bereit, neue Produkte zu erproben. Auslaendische Fabrikate ueben dabei einen besonderen Reiz aus. Umgekehrt verkuerzt sich der Lebenszyklus eingefuehrter Artikel.

Auslaendische Erzeugnisse haben haeufig ein Luxus-Image. Es gibt amerikanische Hersteller, die dies zu nutzen wissen. Kalifornische Weine und mehrere Zigarettenmarken zeigen dies sehr deutlich.

Genauso gibt es eine Reihe von Erzeugnissen, die ihre amerikanische Herkunft nicht unbedingt herausstellen. Die Vereinigten Staaten sind fuer uns drittgroesster Lieferant von Buechern und Landkarten (deutschsprachige Publikationen aus der Schweiz und Oesterreich halten die ersten beiden Plaetze). Der amerikanische Maschinenbau und die Elektrotechnik sind seit langem bei uns eingefuehrt. Dies gilt fuer die ganze Palette, nicht nur fuer die Elektronik im engeren Sinn. Da heute viele Maschinen mit Elektronik-Bauteilen ausgestattet sind, wirkt sich die hier fuehrende Stellung der USA natuerlich mit aus.

Ausserdem besitzen die Vereinigten

Staaten eine der produktivsten Land- und Forstwirtschaften der Welt. Die Bundesrepublik Deutschland bezieht von ihr Reis, Viehfutter und Holz/Sperrholz in nennenswerten Mengen.

Ausserdem sind die Vereinigten Staaten mit Abstand der groesste Direkt-Investor in der Bundesrepublik. Ihre Anlagen sind groesser als die aller EG-Laender zusammen. Naheliegende Erklaerung ist, dass Transportkosten die Produktion in Deutschland fuer Amerikaner interessanter machen als fuer Europaeer aus Nachbarlaendern. Zwei Folgerungen ergeben sich daraus: Einerseits haben die wirtschaftlichen Beziehungen eine solche Verfeinerung erreicht, dass der Export von Ideen, Plaenen und Management-Techniken immer mehr in den Vordergrund tritt, andererseits werden Dienstleistungen immer wichtiger.

Die Bundesrepublik Deutschland ist nach den USA der groesste Importeur von Dienstleistungen der Welt. Der Reiseverkehr nimmt den groessten Anteil in Anspruch (etwa ein Drittel), gefolgt von Zins- und Dividendenzahlungen an Devisenauslaender (etwa ein Fuenftel). Der dritte grosse Posten sind Aufwendungen fuer Transport- und Versicherungsleistungen.

Zwar geht der Loewenanteil der deutschen Reiseverkehrsausgaben an Mittelmeer- und andere europaeische Laender, aber die USA nehmen die Spitzenstellung in der uebrigen Welt ein. Der Gesamtanteil ist naturgemaess klein (3 Prozent).

Derzeit bietet der Finanzsektor vermutlich die groessten Wachstumschancen. Vorerst sind die Ertraege ausserhalb des reinen Zinsgeschaefts noch klein, besonders wenn die Relationen von Grossbritannien und der Schweiz zum Vergleich herangezogen werden. Die weitreichenden Deregulierungen im Finanzwesen auf beiden Seiten des Atlantiks haben aber neue Institute nach Frankfurt gebracht, und die schon dort etablierten Niederlassungen weiten ihr Geschaeft aus. Dabei ist der Markt fuer das traditionelle Kreditgeschaeft vermutlich vorerst weitgehend gesaettigt; heute liegen die Herausforderungen im Service, einschliesslich dem Investment-Banking.

Mit dem fallenden Dollar werden die amerikanischen Exporte—in D-Mark-Betrachtungsweise—nun wettbewerbsfaehiger. Im letzten Jahr kamen 7 Prozent aller deutschen Importe aus den USA; in den Jahren 1980/81 waren es 8 Prozent gewesen. Der Hochtechnologie-Anteil an diesem Handel duerfte weiter steigen; Massenprodukte haben geringere Chancen.

Ich habe auch den Eindruck, dass die—stets praesente—Gefahr des Importprotektionismus nachlaesst, weil der fallende Dollar auslaendische Produkte vom US-Markt verdraengt. Auch auf der europaeischen Seite geht die EG mit Einfuhrbeschraenkungen merklich vorsichtiger um als noch vor einigen Jahren. US-Erzeugnisse, die traditionell in Deutschland einen guten Ruf geniessen, stossen auf einen expandierenden Markt. Ich bin sicher, dass die Chancen bei weitem noch nicht ausgeschoepft sind. ■

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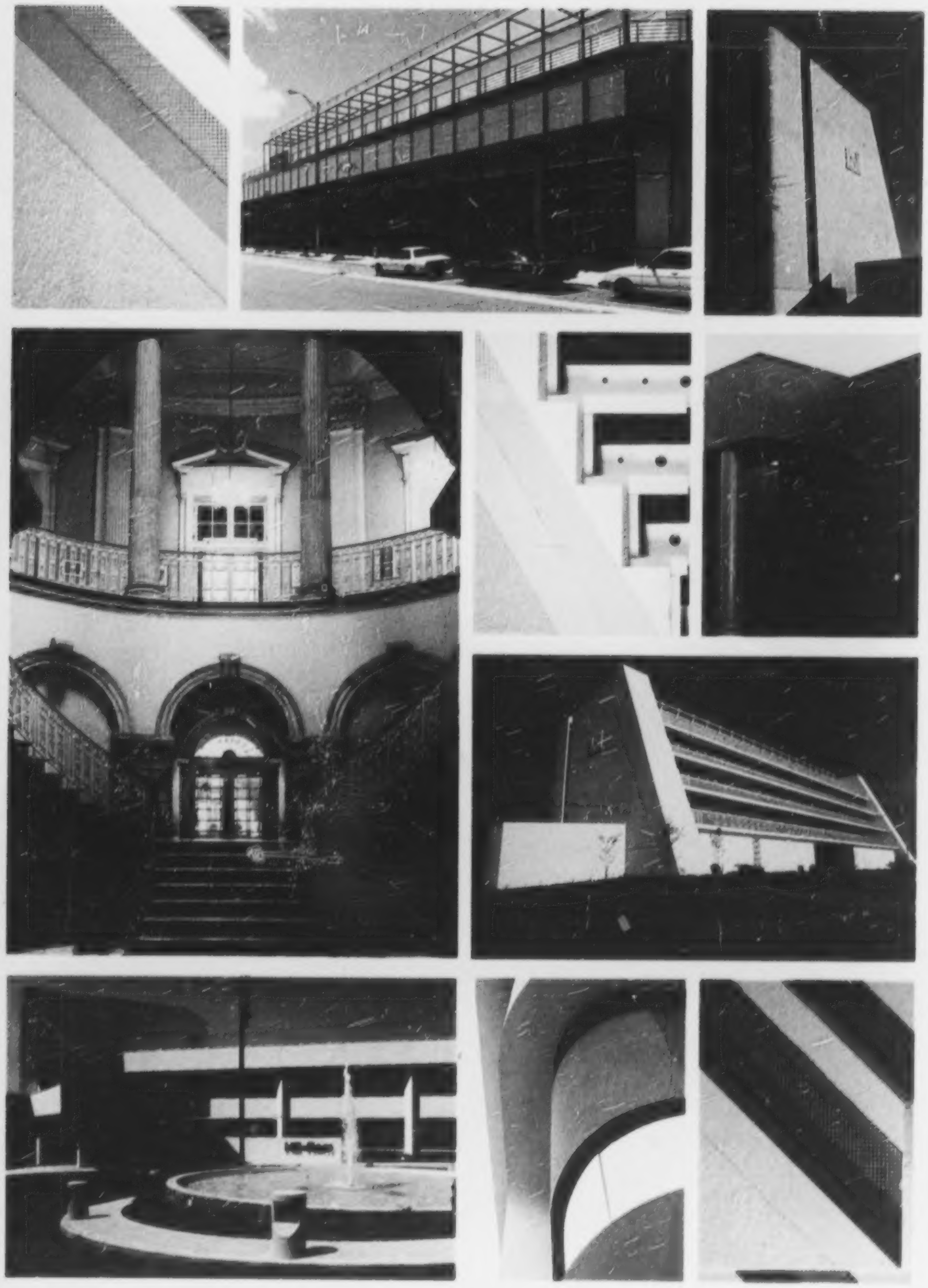

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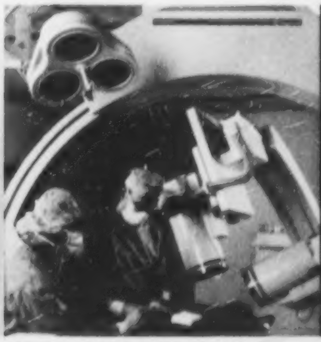

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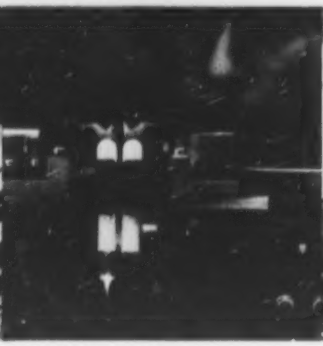

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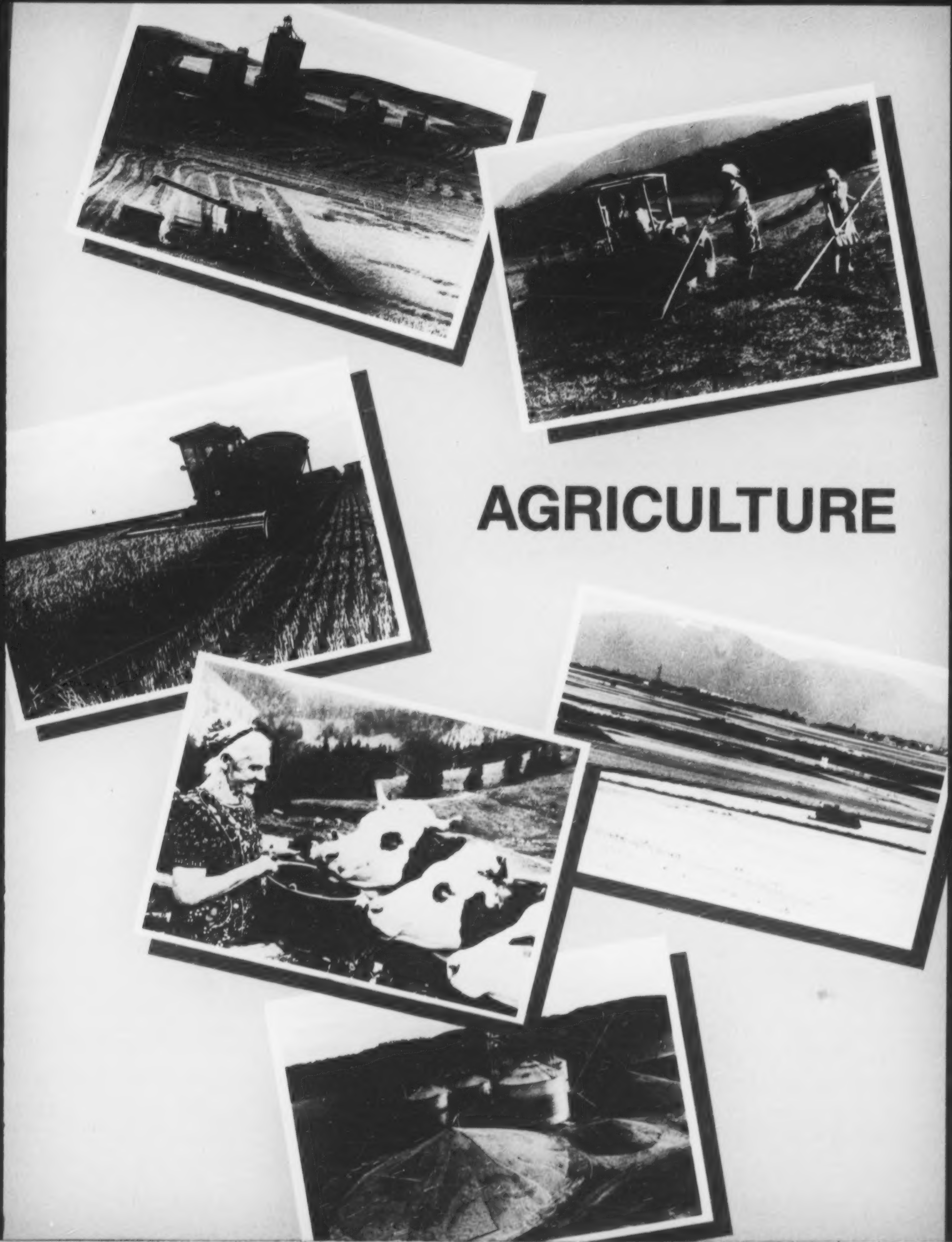

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Unterschiede der Agrarpolitik zwischen der Europaeischen Gemeinschaft und den Vereinigten Staaten

U.S. and E.C. Differences regarding Agriculture

by Ignaz Kiechle
Federal Minister of Food
Agriculture and Forestry
Federal Republic of Germany

The entry of Spain and Portugal into the European Community has increased trade tensions between the EC and the U.S.in the area of agriculture. With the agreement of July 2, 1986, the conflict which had threatened to escalate due to the variable price adjustment levies (import duties) of the EC on imports of corn and millet into Spain has been postponed at least until December 31, 1986. Time has been gained for settlement negotiations under GATT Article XXIV par. 4. It had previously been planned that in the future closer, more timely, contacts would be maintained by both sides in order to guard against differences of opinion in trade questions. This represents a major step in the direction of better relations between the EC and the U.S., which both bear such great responsibility for world trade. One must hope that these good intentions will be carried out. In 1983, there had already been agreement on increased exchange of information, but the conflicts which subsequently arose still could not be prevented.

. . . I do not underestimate the political importance of U.S. agriculture and its special interest groups in U.S. political life.

Concerning the entry of Portugal into the EC, it still remains to be seen whether the measures taken by the EC (import quotas for oil seeds and vegetable oils, reservation of 15.5% of Portugal's grain requirements for EC member states) will in the long term in fact lead to reductions in U.S. exports to Portugal.

Another area of conflict, the so-called citrus and pasta war, was likewise defused on August 10, 1986 by means of an interim solution. At the time this report was prepared there had not yet been final agreement on the planned reciprocal grant of quantitatively limited customs duty relief. The issue of customs compensation for pasta items is to be settled by July 1, 1987 through further bilateral negotiations. It appears particularly important to me that the U.S. should basically recognize the preferences which the EC has granted the states bordering the Mediterranean. It is certainly in the U.S. interest that these countries be assured of a reasonable profit on their agricultural exports.

In the following discussion, I will not deal with the individual lines of argument in the area cited because these are sufficiently well-known and are also the subject of negotiations both at a bilateral level and within the framework of the GATT, for which the Commission is the lead negotiator on the side of the EC.

It also appears pointless to deal here again in detail with the reasons why the two partners have increasingly found themselves on a collision course. However, I would like to mention a few pertinent facts related to the situation.

Facts of U.S.-European Agricultural History

There are some important facts to remember in any discussion of U.S-European agricultural history. First, the unforgotten role of the U.S. in the initial years following World War II, in which the U.S. saved many Europeans, above all Germans, from starvation and made recovery possible through assistance efforts. Second, the significance of the European Community, which is still the most important purchaser of agricultural products from the U.S. and also the world's largest importer of agricultural goods. Through the reduction in U.S. agricultural exports to the EC and the increase in EC agricultual exports to the U.S., the positive U.S. agricultural trade balance with respect to the EC had been reduced by the end of 1985 to 1.63 billion dollars.

Today, the U.S. is dealing with a European Community which has become a significant net exporter of agricultural products. This development has benefited from the EC's market organization, but also from improvements in productivity. The poorly organized state of European agriculture makes it particularly in need of increases in productivity. The growing significance of the EC in world markets and the resulting competition with the U.S. have led more or less inevitably to competition for market shares. This was the seed for trade conflicts.

World Trade in Wheat and Wheat Flour

Time (1)	World	US	EC (2)	Share of World Exports	
				US	ED (2)
	– – – million tons – – –				
1979/80					
Export	86.00	37.20	10.40	43.3	12.1
Import		–	5.27		
1980/81					
Export	94.12	41.94	14.70	44.6	15.6
Import		–	4.48		
1981/82					
Export	101.29	48.78	15.48	48.2	15.3
Import		–	4.68		
1982/83					
Export	98.72	39.94	16.32	40.5	16.5
Import		–	4.61		
1983/84					
Export	101.97	38.86	15.45	38.1	15.2
Import		–	4.55		
1984/85					
Export	106.87	38.09	18.50	35.6	17.3
Import		–	2.97		
1985/86					
Export	85.50	25.00	15.50	29.2	18.1
Import		–	2.85		
1986/87 (3)					
Export	91.50	30.50	16.00	33.3	17.5
Import		–	2.60		

(1) July through June
(2) til 1981/82: EC (10), afterward EC (12)
(3) projection of July 1986
Source: USDA (Foreign agriculture circular – grains/World situation and outlook)

The example of wheat shows that in the past 15 years all significant wheat exporting countries have increased their production and their exports. The greatest increase in land productivity, however, has been in the EC. Exports by the most important exporters ran similarly. Only U.S. wheat exports decreased in 1982/83 (primariy due to the embargo against the Soviet Union) and in 1984/85, caused primarily by the high dollar exchange rate and above all the reduction in U.S. competitiveness due to its price support system. The following table demonstrates the world market shares of the U.S. and the EC for wheat and wheat flour: It is apparent from this table that the decreasing share of the U.S. in the world wheat market has been taken over only to a small degree by the EC. Instead, the shares of the other major exporting countries, such as Canada, Australia and Argentina, have grown. The reduction in U.S. wheat sales on the world market is thus not primarily due to circumstances involving the EC.

The wheat trade example demonstrates that the source of trade conflicts between the U.S. and the EC and the reasons for programs such as the American export encouragement program (EEP) cannot be found merely in EC agricultural policy. I am aware that some sectors of U.S. agriculture are experiencing difficulties. I also know of the significance of agriculture and agricultural exports for the U.S. economy, and I do not underestimate the political importance of U.S. agriculture and its special interest groups in U.S. political life. In hard times for U.S. agricultural exports, it is natural that there should be an increase in willingness to use tougher methods to maintain or regain export markets.

The greatest increase in land productivity, however, has been in the EC.

On the other hand, America should not fail to recognize the economic and social significance of the agricultural sector in the EC. When one takes into consideration the food and drink industry and agricultural machinery, fertilizer and other supply industries which are dependent on agriculture, one out of every six jobs in the European Community is connected to agriculture.

Family Farms Must Be Maintained

In structurally weak areas, agriculture is often the leading economic factor. The family farm operations which are typical in the EC also fulfill important social and political functions, such as the maintenance and preservation of varied and unique recreational and cultural areas. They also insure broad ownership of land and ecologically sound use of the land. In order that family farms may continue to fulfill these functions in the future, they must achieve reasonable income.

Despite large expenditures within the framework of the Community's agricultural policy, the income situation for European agriculture is extremely unsatisfactory. Some incorrect basic decisions in EC agricultural policy in the 70's and the beginning of the 80's were responsible to a great degree for the fact that German farmers today scarcely earn as much as in 1975/76 and are in next to last place among European countries. The high surpluses in all agricultural markets have been the prime contributor to this problem, and are now forcing producer prices downward with great force. For years our farmers have been experiencing decreasing producer prices in real terms.

I am interested in stopping the practice of senseless storage and waste of unsaleable agricultural products. . .

My government is pushing for a rethinking process in the EC. European farmers must not be misguided into further production increases for which there will be no purchasers. Instead, they need to be offered incentives to produce less or to switch to deficit products, to cultivate their fields less intensively, and to place more emphasis on their role in the maintenance of the natural environment and preservation of the landscape. To do this they must be assured of a reasonable income; because of the social and ecological reasons listed above, we must not fail to maintain competitive family farms.

Previous efforts to reduce surplus production in the EC have already met with success in the dairy sector through introduction of a so-called guaranteed milk quota regulation. Deliveries of milk have been reduced by 4% in the EC and 7% in the Federal Republic of Germany. Further quota reductions have been agreed for the next three years. In the U.S., on the other hand, the "diversion" system led to only temporary relief in the milk market. It has been possible to maintain the workabilitity of the EC milk market system by means of these quantity restrictions; there is still, however, a significant oversupply on the markets. This is likewise true for other temporary sectors, e.g. beef and grain, for which production restriction measures are presently being discussed.

"German farmers today scarcely earn as much as in 1975/76."

Measures to Reduce Surplus Production

Our government has listed the measures which must be taken in order to achieve long-term reductions in surplus production in these markets in the EC:

1) Market relief through less intensive cultivation, promotion of longer fallowing time, and removal from agricultural production of lands and farm operations primarily of older farmers;
2) Changes in the use of lands now used in agriculture, e.g. for reforestation or for nature preserves;
3) Promotion of production of deficit products instead of surplus products;
4) Creation of new production area for the chemical-technical sector, i.e. production of renewable resources (starch, sugar, alcohol, vegetable fats and oils, plant fibers) and promotion of related research programs with the goal of creating new markets for agriculture.

There are some important facts to remember in any discussion of U.S.-European agricultural history.

In the meantime, the EC Commission has taken up these German proposals and included them in their deliberations. As you can see, American programs for removing lands from production have served as models. The U.S. efforts to adjust supply to demand are highly regarded here, even though they have not always been as successful as hoped. Considering the small farm operation structure in large parts of the EC and the related difficulties in administering programs, the American measures for reducing productive lands can only be

An agricultural scene in Germany.

applied in properly modified forms to European conditions. The major approach under consideration here is removal of entire operations within the framework of an early retirement system, because this makes it possible, for example, to reduce not only grain production but also animal production at the same time.

I have discussed the efforts and deliberations concerning the reduction of surplus production in the EC in order to clarify my views on how the pressures on world markets and thus on world market prices can be lowered. We want to use these methods to restrict agricultural production in the EC to what is needed to cover demand in the combined internal market and for traditional agricultural exports and thus provide relief on the world markets. I do not believe it would be sensible or responsible to increase agricultural production for the purpose of export.

In 1983, there had already been agreement on increased exchange of information, but the conflicts which subsequently arose still could not be prevented.

. . . I do not believe it would be sensible or responsible to increase agricultural production for the purpose of export.

This does not mean, however, that demand can be created for additional agricultural imports into the EC. Instead, a reduction in animal production, for example, will also cause a reduction in EC import demand for feed from other countries. In addition, the EC will continue to export goods in the agricultural and other food industries for which there is a need on world markets, and in so doing use the export compensations which are permissible under the GATT.

In the new GATT round, a reduction in the EC export compensation system cannot be a topic for discussion because it is a necessary component of Common Market agricultural policy. On the basis of this common agricultural policy, the Federal Republic of Germany is prepared to negotiate measures in all areas of agricultural trade, but will also demand this same willingness from its trading partners. This is true for the area of imports as well as exports.

Attention to such issues in agricultural trade and agreement to solutions by the major agricultural exporting countries is necessary in order to meet the increasing danger of serious trade wars. However, due to the long-term nature of such negotiations, there is a need for immediate action now. The EC and the U.S. bear particular responsibility. On the side of the EC, the methods listed above for restriction of production and related market relief must be undertaken soon and decisively. The same is true, also, for the U.S. In relation to the global surplus situation, the U.S. is storing, for example, large grain carryovers, which at the end of the

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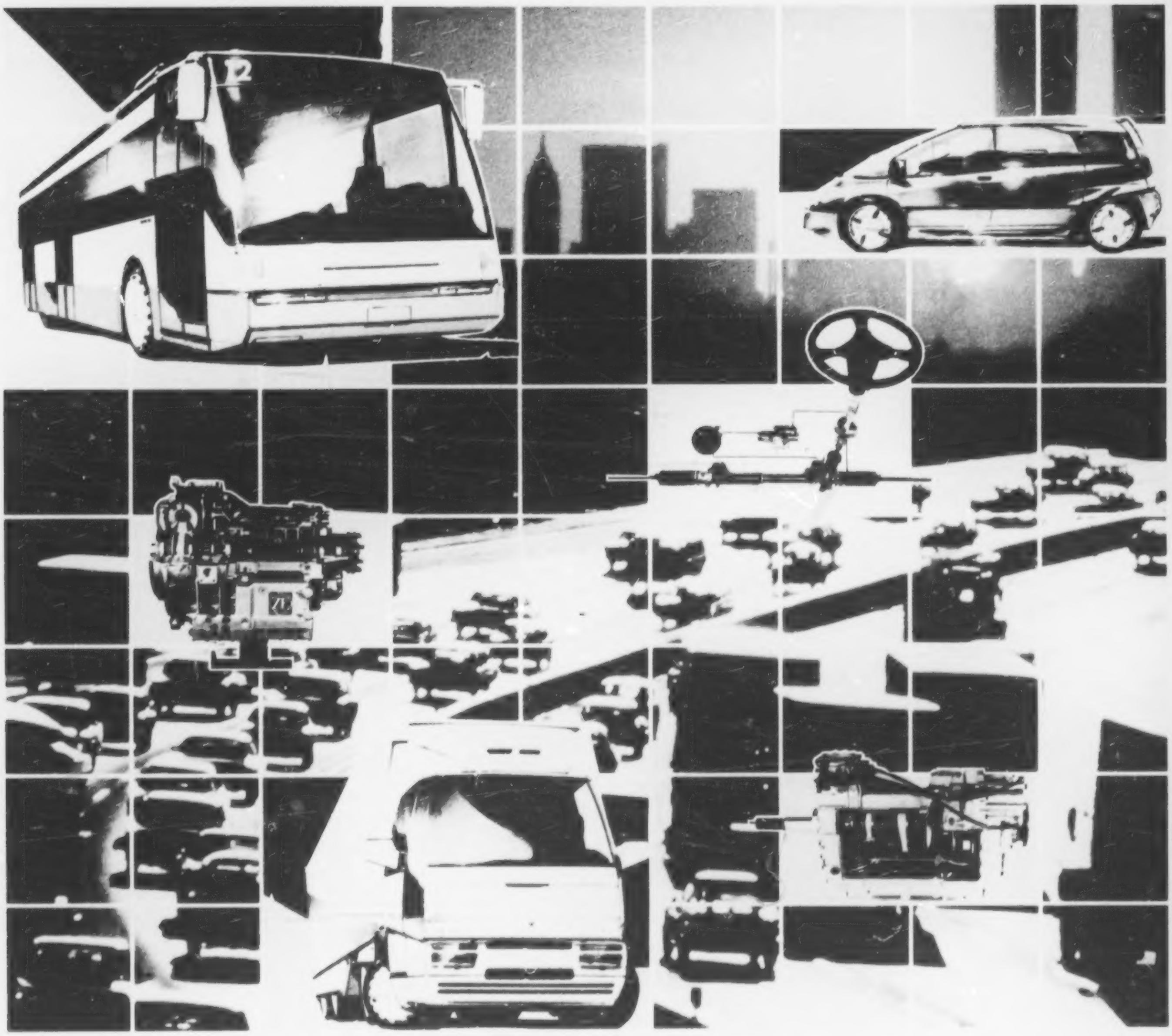

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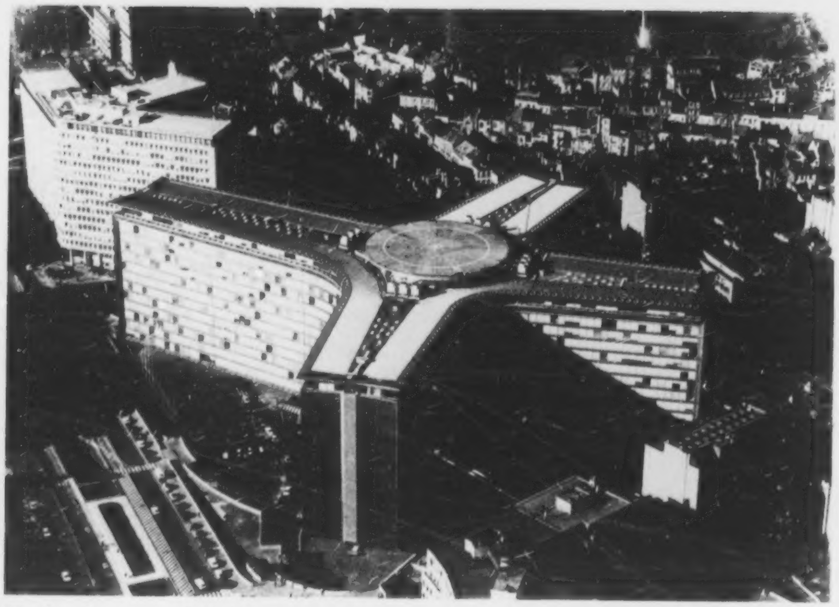

The headquarters of the European Community, Brussels.

grain year 1985/1986 amounted to about 2/3 of annual production.

"Surplus" is not used in this context to mean excesses over local demand achieved due to locational advantages for products for which there are export markets. I also do not refer to a reasonable stockpiling or to the amounts which must be kept available for food outside commercial supplies.

I am interested in stopping the practice of senseless storage and waste of unsaleable agricultural products, so that in the future the constant price pressure on domestic markets, distortions on world markets and, finally unacceptable costs for taxpayers can be avoided.

Precisely these symptoms apply to the competition in export subsidies in which the U.S. and the EC are engaging. They are thereby forcing other traditional agricultural exporting countries from world markets and reducing profits on which those countries depend. You already know who the sole beneficiaries of such competition are.

. . .one out of every six jobs in the European Community is connected to agriculture.

The U.S. and the EC are both in the same boat. This is apparent from the expenditures for agricultural market and price supports which were almost the same in 1986 for the U.S. at 17.3 billion dollars and the EC at 18.9 billion dollars. The EC and the U.S. have become the common target of criticism from other

In relation to the global surplus situation, the U.S. is storing, for example, large grain carryovers, which at the end of the grain year 1985/86 amounted to about 2/3 of annual production.

Grain harvesting in the Federal Republic.

The bean crop being harvested by machinery.

agricultural exporting countries. The position of 14 agricultural exporting countries in the "Declaration of Cairns" sent a serious signal which hopefully will accelerate progress toward understanding between the U.S. and the EC.

I cannot predict to what extent such agreement will have been reached by the time this article appears in January 1987. I am optimistic, however, that not just the threat of reprisals and political and economic coercion, but instead better understanding and the ability to compromise will enable the EC and the U.S. to do justice to their common responsibility for a free and balanced world agricultural trade. ■

. . . the so-called citrus and pasta war, was. . . defused on August 10, 1986. . .

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"The EC will continue to export goods in the agricultural and other food industries . . ."

DEUTSCHE ZUSAMMENFASSUNG

Mit der Vereinbarung vom Juli 1986 wurde der Streit, der wegen der variablen Abschoepfungen der EG auf Einfuhren von Mais und Hirse nach Spanien zu eskalieren drohte, zunaechst bis zum 31. Dezember 1986 ausgesetzt. Bis dahin wurde Zeit fuer Ausgleichsverhandlungen nach Artikel XXIV Abs. 6 GATT gewonnen. Hinsichtlich des Beitritts Portugals wird sich erweisen, ob die von der EG ergriffenen Massnahmen (Einfuhrkontingente fuer Oelsaaten und pflanzliche Oele) auf laengere Sicht tatsaechlich zu Beeintraechtigungen der amerikanischen Lieferungen nach Portugal fuehren. Ein anderer Konfliktstoff, der sog. Zitrus- und Teigwarenstreit, hat am 10. August 1986 gleichfalls eine Interimsloesung gefunden.

Die Rolle der USA in den ersten Jahren nach dem zweiten Weltkrieg, als sie viele Europaeer, vor allem aber Deutsche, vor dem Verhungern bewahrten und mit ihren Hilfslieferungen den deutschen Wiederaufbau ermoeglichten, sollte nicht vergessen werden. Hinzuweisen ist auch auf die Bedeutung der Europaeischen Gemeinschaft, die noch immer der wichtigste Abnehmer von Agrarprodukten aus den USA und zugleich der weltgroesste Agrarimporteur ueberhaupt ist. Durch den Rueckgang der amerikanischen Agrarexporte in die EG und den Anstieg der EG-Agrarexporte nach den USA hat sich allerdings bis einschliesslich 1985 die positive Agrarhandelsbilanz der USA gegenueber der Gemeinschaft bis auf 1,63 Milliarden US-Dollar verringert.

Heute haben es die USA mit einer Europaeischen Gemeinschaft zu tun, die sich zu einem wichtigen Nettoexporteur von Agrarprodukten entwickelt hat. Beguenstigt wurde diese Entwicklung durch das Marktordnungssystem der EG, aber auch durch den Produktivitaetsfortschritt. Das wachsende Gewicht der EG auf den Weltmaerkten und die dadurch entstehende Konkurrenz zu den USA fuehrten mehr oder weniger zwangslaeufig zum Wettstreit um Marktanteile. Damit wurde der Kern fuer Handelskonflikte gelegt. Am Beispiel von Weizen zeigt sich, dass in den letzten fuenfzehn Jahren alle bedeutenden Weizenexportlaender ihre Erzeugung und ihre Ausfuhren erhoeht haben. Am staerksten stiegen jedoch die Flaechenertraege in der EG. Entsprechend verliefen auch die Exporte der wichtigsten Lieferlaender. Lediglich die Weizenausfuhren der USA verminderten sich 1982/1983 (hauptsaechlich bedingt durch das Embargo gegenueber der Sowjetunion) und 1984/1985, wobei der zeitweise hohe Dollarkurs und vor allem die Verringerung der Wettbewerbsfaehigkeit der USA durch ihr Stuetzpreissystem massgeblich waren. Der sinkende Anteil der USA am Weltweizenmarkt wurde nur in geringem Masse von der EG uebernommen. Vielmehr stiegen auch die Anteile der uebrigen Hauptexportlaender wie Kanada, Australien und Argentinien.

Auf amerikanischer Seite sollte nicht das Gewicht verkannt werden, das in der EG dem Agrarsektor wirtschaftlich und gesellschaftspolitisch zukommt. Beruecksichtigt man die Nahrungs- und Genussmittelindustrien, die Landmaschinen-, Duengemittel- und andere Zulieferindustrien, die von der Landwirtschaft abhaengig sind, so haengt jeder sechste Arbeitsplatz in der Europaeischen Gemeinschaft mit der Landwirtschaft zusammen. In strukturschwachen Raeumen ist die Landwirtschaft oftmals sogar der tragende Wirtschaftsfaktor und dient darueber hinaus der Pflege und Erhaltung einer vielgestaltigen, einzigartigen Kultur- und Erholungslandschaft.

Trotz der hohen Ausgaben im Rahmen der gemeinsamen Agrarpolitik ist die Einkommenslage der europaeischen Landwirtschaft aeusserst unbefriedigend. Falsche Weichenstellungen haben zu hohen Ueberschuessen auf allen wichtigen Agrarmaerkten gefuehrt, die jetzt die Erzeugerpreise massiv druecken. Unsere Landwirte verzeichnen seit Jahren realruecklaeufige Erzeugerpreise.

Folgende Massnahmen werden von der deutschen Bundesregierung gefordert:

1. Entlastung der Maerkte durch Intensivierung, Branchenfoerderung und Herausnahme von Flaechen und Betrieben vorwiegend aelterer Betriebsinhaber aus der landwirtschaftlichen Produktion;
2. Umwidmung landschaftlich

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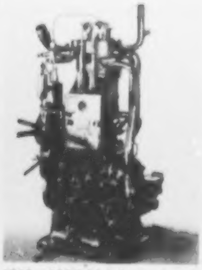

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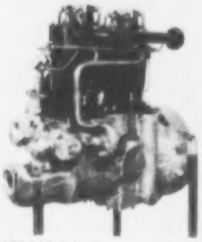

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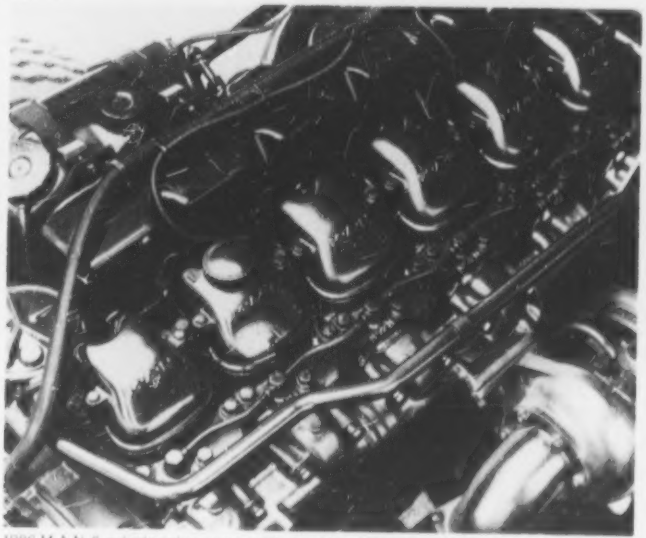

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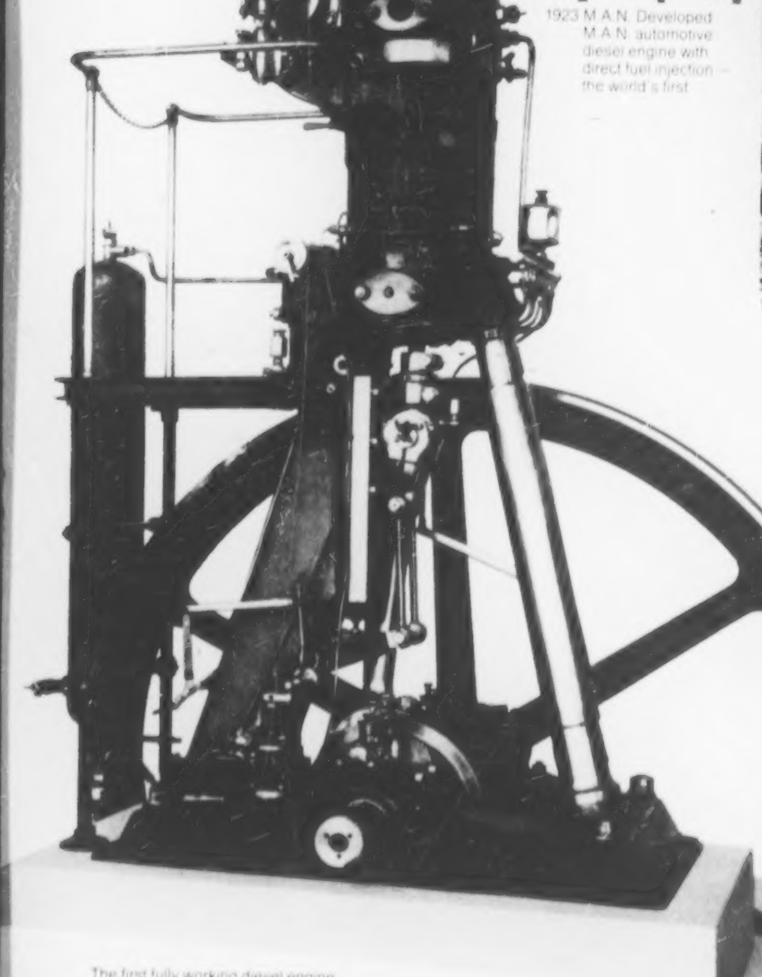

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genutzter Flaechen, zum Beispiel zur Aufforstung oder fuer Naturschutzzwecke;

3. Foerderung des Anbaus defizitaerer Produkte anstelle von Ueberschusserzeugnissen;

4. Aufbau einer neuen Produktionslinie fuer den chemisch-technischen Bereich, d.h. Erzeugung nachwachsender Rohstoffe (Staerke, Zucker, Agraralkohol, pflanzliche Fette, Oele, pflanzliche Fasern) und Foerderung diesbezueglicher Forschungsprogramme mit dem Ziel, der Landwirtschaft neue Maerkte zu erschliessen.

Inzwischen hat die EG-Kommission diese deutschen Vorschlaege aufgegriffen und in ihre Ueberlegungen mit einbezogen. Dabei haben auch die amerikanischen Flaechenstillegungsprogramme als Vorbilder gedient. Die Bemuehungen der USA, die Erzeugung der Nachfrage anzupassen, werden hier sehr wohl anerkannt.

In der neuen GATT-Runde kann der Abbau des EG-Exporterstattungssystems nicht zur Diskussion stehen, da es ein unverzichtbarer Bestandteil der gemeinsamen Agrarpolitik ist. Auf der Grundlage dieser gemeinsamen Agrarpolitik ist die Bundesrepublik Deutschland zu Verhandlungen in allen Massnahmebereichen des Agrarhandels bereit, verlangt dies aber auch von ihren Verhandlungspartnern. Dies gilt sowohl fuer den Ausfuhr- als auch fuer den Einfuhrbereich.

Die USA und die EG sitzen in einem Boot. Das zeigen auch die Ausgaben fuer landwirtschaftliche Markt- und Preisstuetzungen, die 1986 in den USA mit 17,3 Milliarden US-Dollar und in der EG mit 18,9 Milliarden US-Dollar annaehernd gleich liegen. EG und USA sind das gemeinsame Ziel der Kritik anderer Agrarexportlaender geworden. Mit der Frontstellung der 14 Agrarexportlaender in ihrer "Erklaerung von Cairns" wurde ein erstes Signal gesetzt, das die Verstaendigung zwischen den USA und der EG hoffentlich beschleunigen wird. Es besteht Anlass zu Optimismus, dass nicht nur unter dem Druck von Vergeltungsmassnahmen sowie von politischen und wirtschaftlichen Zwaengen, sondern auch aus besserer Einsicht und der Faehigkeit zum Kompromiss sowohl die EG als auch die USA ihrer gemeinsamen Verantwortung fuer einen freien und ausgewogenen Weltagrarhandel gerecht werden. ■

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The U.S. Agricultural Scene and Agricultural Exports

by Richard E. Lyng
United States Secretary
of Agriculture

In the U.S., agriculture is far more than a major sector of our economy. It is a way of life that has been an integral part of American culture and national identity since Colonial days. Although there have been dramatic changes in U.S. agriculture from those times when we were primarily an agrarian society to today's largely urban environment, agriculture has not dwindled in importance.

The very magnitude of this global role has moved agriculture to the forefront of our national political arena.

Quite the contrary. Now with the productive pastures of our eastern states, the massive corn belt in our midlands, the broad great plains, the fertile irrigated valleys of the west, and the lush long-season agriculture of our deep south, agriculture is still our largest industry with assets totalling over $1 trillion.

Agriculture is also our nation's largest employer. Around 21 million people work in some phase of agriculture – from growing food and fiber, to processing it, transporting it, and marketing it. In total, the U.S. food fiber system accounts for close to one-fifth of our Gross National Product.

Through dramatic advances in productivity and efficiency, each U.S. farmer now produces enough food and fiber to meet the needs of 75 people – 15 of them in foreign lands. This remarkable record has been achieved on more than 2 million farms with more than a billion acres. American farmers now produce over 80 percent more on an acre of land than their parents did.

We have come to take annual increases in farm productivity for granted. Agricultural research has given farmers greater control over nature, greater productivity, and greater marketing efficiency. Years of scientific endeavor devoted to agricultural problems have led to high-yielding, high-quality, pest-resistant plant varieties; livestock with higher reproduction rates; effective control of diseases, insects and other pests; better plant and animal nutrition; improved irrigation and farm equipment; better conservation techniques; and the list of achievements goes on.

. . .our farmers have been buffeted by world economic factors beyond their control.

Obviously we are proud of our farms and

Wheat harvest on Ashland Farms near Culpeper, VA.

their tremendous production capacity. It is because of this capacity that U.S. agriculture is able to provide food and fiber to meet the needs not only of our own citizens but also of our trading partners throughout the world. As a result, we are the world's largest agricultural exporter. In 1985, we shipped 125 million tons of commodities to more than 130 countries.

. . .U.S. farmers. . .are indeeed part of a global system. . . .world really begins at the farm gate.

Germany, of course, has long been an important customer for U.S. agriculture. In 1985, for example, we shipped $950 million worth of U.S. farm products to Germany. Oilseeds, animal feeds, and tree nuts were the major items. In turn, the U.S. purchased $614 million worth of German farm products – primarily processed items such as beer, wine, cheese, and confectionary products.

U.S. agriculture is truly internationalized. We have learned that we cannot pursue domestic agricultural policy as if the rest of world does not exist. We recognize that U.S. agriculture is interdependent with the economies of other nations. Dramatic changes in world agricultural trade since the beginning of the 1970's have made it clear to U.S. farmers that they are indeed part of a global system. With foreign buyers taking so much of our production, the world really begins at the farm gate.

However, this understanding also contributes to the frustration of U.S. farmers about agricultural policies of other countries. They feel that they are producing for the world, adjusting production upward when the world needs more, and accepting the burden of lower prices and surplus management in time of world overproduction.

U.S. farmers also feel that farmers in other major trading countries have not fully shared these adjustment burdens and therefore are not contributing equitably as partners in a world system. More important, they are concerned that this tendency may be growing – that other nations are trying to build and maintain higher walls around their producers or use other protective sytems that distort market forces.

Protectionism

Every nation has problems dealing with protectionist interests at home, especially in times of overproduction and underconsumption. History has shown that protectionism is likely to be more prominent and more destructive in times of far-reaching economic problems. However, national policies that refuse to recognize the global nature of agriculture are a problem for all nations which depend on trade. The world cannot afford policies that foster agricultural isolationism. Realism calls for policies that treat agriculture as a global system.

. . .agriculture is still our largest industry with assets totalling over $1 trillion.

Piles of wheat at grain terminal on Snake River, Wilma, WA.

The very magnitude of this global role has moved agriculture to the forefront of our national political arena. Farm policy is a major issue throughout our nation — for urban as well as rural constituencies. Such attention is inevitable for an industry so large, and so ingrained in our national heritage.

Despite the difficulties in reaching a consensus, the U.S. late in 1985 passed new legislation designed to put U.S. agriculture on a more rational economic foundation. We have embarked on a market-oriented program to make U.S. agriculture more competitive. No longer does the U.S. hold an umbrella over world prices through artificial price supports and government programs out of step with the world market.

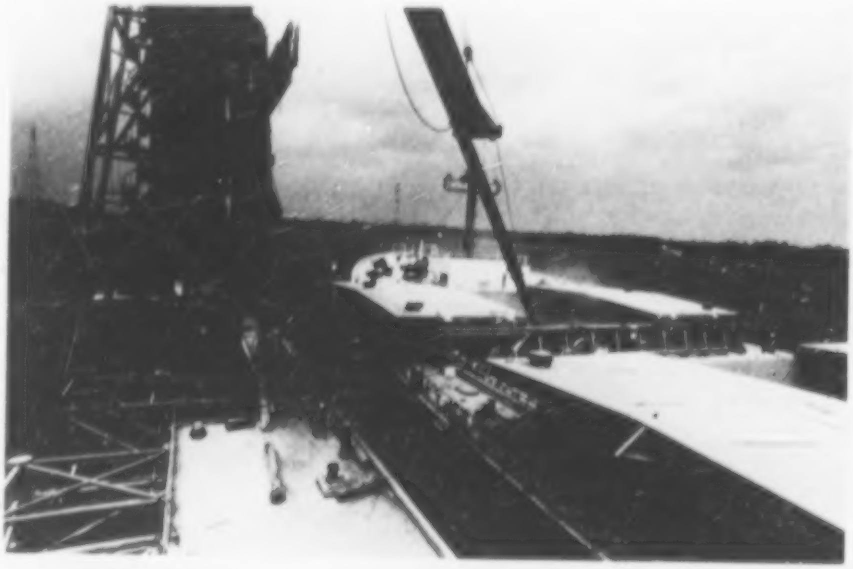
Changes in Agriculture in 1986

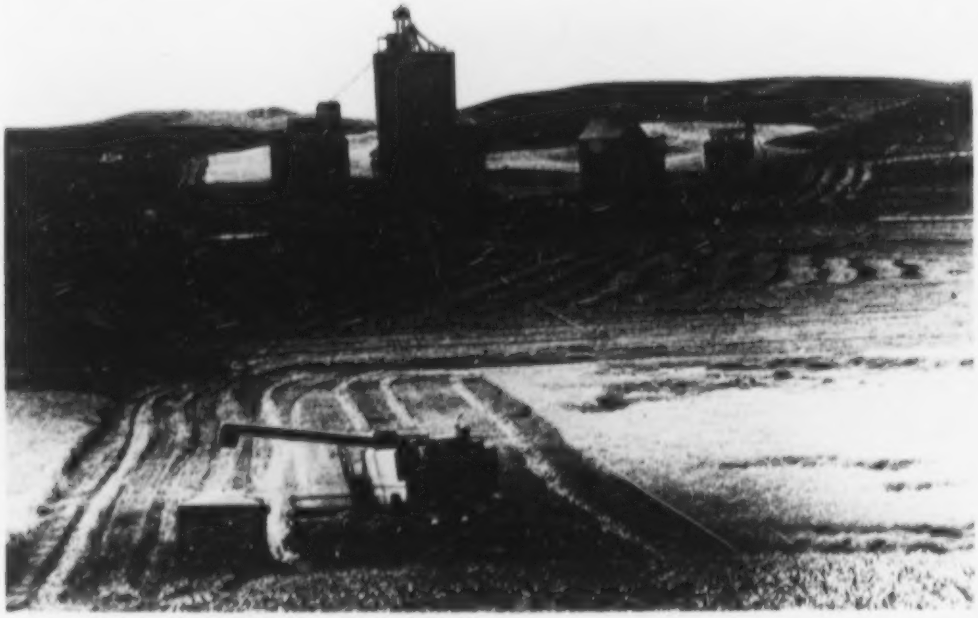
As we worked to implement the new law, 1986 turned out to be a year of tremendous change for U.S. agriculture. There are many who say that agriculture is in a crisis, and it is true that farmers are having a difficult time. In recent years, farm incomes have fallen, land values have plunged, surpluses of agricultural commodities are huge and still growing, and the cost of domestic farm programs is escalat-

The world cannot afford policies that foster agricultural isolationism.

In turn, the United States purchased $614 million worth of German farm products—primarily processed items. . .

Grain for export being loaded from the Port of New Orleans.



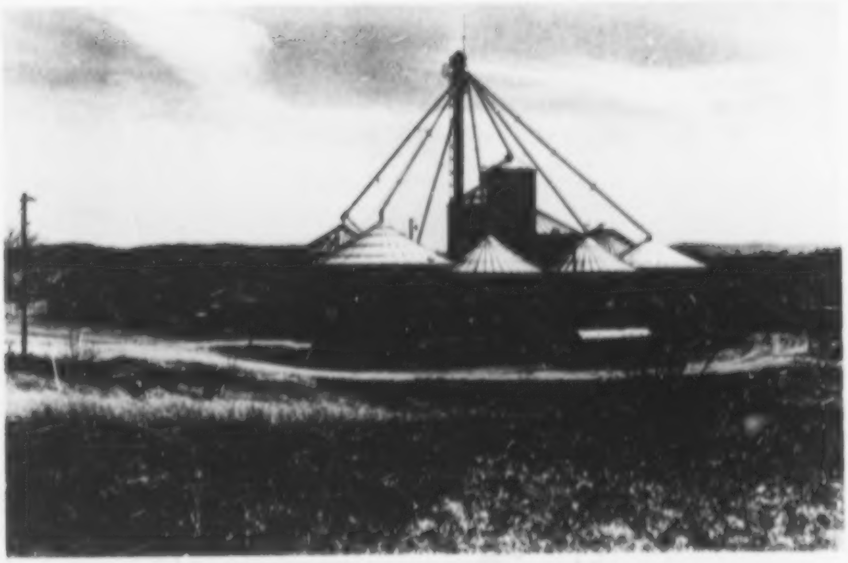


Harvesting wheat by combine, Pullman, WA.

ing. In addition, our farmers have been buffeted by world economic factors beyond their control. These include world recession, debt problems of potential foreign customers, growing protectionism worldwide, and the cumulative effects of earlier farm programs that lost touch with the market.

However, U.S. agriculture is working through its crisis and I am convinced that the result will be a stronger industry – one even better able to meet international marketing challenges.

Grain storage bins near Philomont, VA.



As we work on the domestic front to strengthen our agricultural sector, we are also working internationally to help open markets. Improved access to foreign markets – for all agricultural producers and exporters – is one of our most important trade policy goals. The U.S. is eager to compete in world markets on an equal basis with other suppliers. We believe that all efficient producers around the world share this goal. Last year, world leaders at the Tokyo Summit as well as leaders of the OECD countries targeted agricultural trade issues as needing priority multilateral attention.

The need to reduce protectionism and to establish fair trade rules underscores the importance of the new round of GATT multilateral trade negotiations in which we are now engaged. These trade talks are a tremendous opportunity for agriculture. The U.S. will continue to give its full support to the GATT process and we will continue to work closely with our trading partners one-to-one for fair trade agreements for our farmers. Establishing a path for freer and fairer world agricultural trade is in the best interest not only of U.S. agriculture but of farmers and consumers around the world as well. Mutually beneficial trade is one of the foremost tools available for global economic growth. Such trade is especially important for

. . .each U.S. farmer now produces enough food and fiber to meet the needs of 75 people. . .

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developing nations which need to participate more fully in the world market in order to help boost the income levels of their citizens.

The pressures in the U.S. for protectionism are just as great as they are elsewhere. However, President Reagan has remained steadfastly opposed to trade restrictions since his first day in office and continues to support a free trade philosophy throughout his Administration, even when this has meant making politically unpopular decisions.

All nations must look beyond their own individual political expediencies to establish positive directions for global trade – directions that will efficiently use the world's resources for the ultimate benefit of all of its people. ■

DEUTSCHE ZUSAMMENFASSUNG

Die amerikanische Landwirtschaft ist nicht nur ein wichtiger Wirtschaftszweig; sie stellt vielmehr auch einen Teil der amerikanischen Kultur und der nationalen Identitaet dar, und sie repraesentiert wirtschaftliche Werte in Hoehe von mehr als einer Billion Dollar.

Die Landwirtschaft ist auch der groesste Arbeitgeber: Rund 21 Millionen Menschen sind in irgendeiner Weise, sei es in der Erzeugung, Verarbeitung oder Vermarktung von Agrarprodukten, von der Landwirtschaft abhaengig.

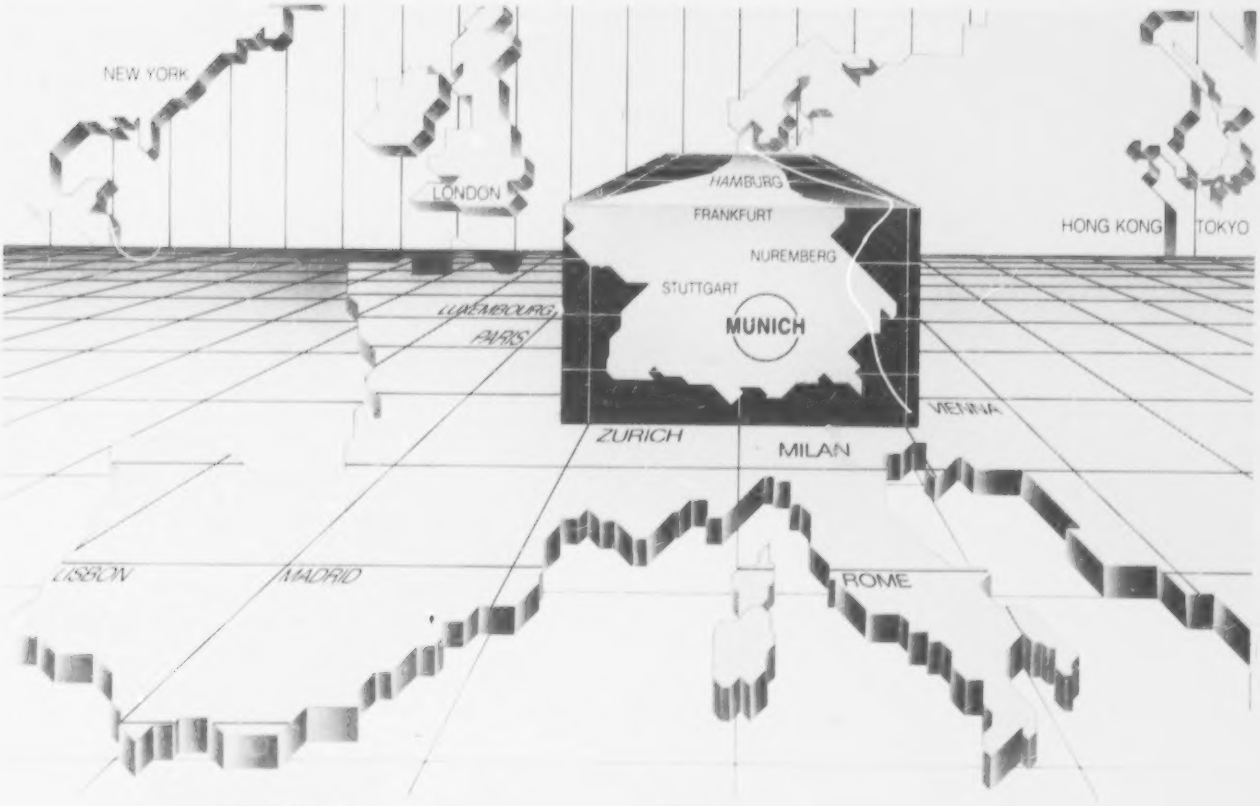
Die Produktivitaet der amerikanischen Landwirtschaft ist betraechtlich gestiegen. Ein einziger Farmer produziert 80 Prozent mehr pro acre als seine Eltern, und er ernaehrt 75 Menschen, davon 15 im Ausland. Ausschlaggebend fuer diese Erfolge sind wissenschaftliche Erkenntnisse bei der Zuechtung ertragreicherer und resistenterer Pflanzen, hoeherer Reproduktionsraten beim Vieh, bessere Behandlung von Tierkrankheiten, wirksamere Bekaempfung von Insekten, Verbesserung des Viehfutters, Verbesserung von Bewaesserungssystemen sowie Verbesserung landwirtschaftlicher Fahrzeuge und Geraetschaften.

Aufgrund dieser Leistungen sind die Vereinigten Staaten heute der groesste Exporteur von Agrarprodukten: Im Jahre 1985 wurden 125 Millionen Tonnen in mehr als 130 Laender versandt. Die Bundesrepublik Deutschland ist ein wichtiger Abnehmer von amerikanischen Agrarprodukten – die Einfuhren beliefen sich 1985 auf 950 Millionen US-Dollar. Umgekehrt nehmen die Vereinigten Staaten deutsche Lebensmittel, ueberwiegend Bier, Wein, Kaese und Konfekt, im Werte von 614 Millionen Dollar ab.

Die amerikanische Landwirtschaft ist international ausgerichtet. Sie steht mit Abnahmemaerkten und Produktionen anderer Laender in einem Verbund. In der amerikanischen Landwirtschaft ist heute die Auffassung vorherrschend, dass sie die Hauptlast der gegenwaertigen Krise zu tragen hat, waehrend die Landwirtschaften anderer Laender nicht ihren Teil der Verantwortung zu tragen bereit sind. Es werden Bedenken geaeussert, dass andere Staaten zum Schutz ihrer heimischen Agrarwirtschaft noch hoehere Abwehrschranken aufbauen wollen.

Der Landwirtschaftspolitik kommt ein hoher innenpolitischer Stellenwert zu. Die Vereinigten Staaten haben 1985 Gesetze erlassen, die dazu dienen, die Agrarwirtschaft in wirtschaftlicher Hinsicht zu rationalisieren. Zu diesem Zweck wurde ein marktorientiertes Programm implementiert. Diese Massnahmen zeigen im Jahre 1986, einem Jahr, das enorme Veraenderungen fuer die amerikanische Landwirtschaft mit sich bringt, ihre Wirkungen und helfen, die gegenwaertige Krise, die gekennzeichnet ist durch Ueberproduktion, Verfall der Absatzpreise fuer Agrarprodukte, Verschuldung der Bauern, Verfall des Werts von Farmland, zu ueberwinden.

Auf internationaler Ebene geht es darum, den freien Zugang zu auslaendischen Maerkten offenzuhalten bzw. zu oeffnen und den Protektionismus zu reduzieren. Dies ist auch das erklaerte Ziel der neuen GATT-Runde. Diese Gespraechsrunde eroeffnet grosse Chancen fuer die Landwirtschaft. Alle Staaten muessen erkennen, dass die gegenwaertige Landwirtschaftskrise ein globales Problem darstellt, welches nur gemeinsam geloest werden kann mit dem Ziel, die weltweiten Resourcen zum Wohle der Erzeuger und der Konsumenten optimal zu nutzen. ■



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premium (if any) and interest by
Japan

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Die Moeglichkeiten fuer Investitionen in den Vereinigten Staaten

The Possibilities for Investing in the United States

by Guenther E. Greiner
Group Executive
Citicorp/Citibank
New York, NY

The climate for German investment in the U.S. may be at its most favorable point in many years. The German presence in the U.S. economy has grown steadily, from less than 900 companies in 1978, to some 2000 today. Moreover, while investment growth slowed as the dollar rose in value over the last several years, from an average entry rate of more than 200 businesses early in the decade to only 59 in 1984, it still grew. Clearly, a place in the U.S. market was worth the foreign exchange penalty.

Now, with the dollar moving closer to realistic valuation against most other currencies, including the Deutsche mark, this may be the ideal time to establish a presence in what is still the largest and most open economy in the world.

From all we are able to tell, the German experience has been largely a satisfactory one. Two years ago, eleven German companies had U.S. revenues of more than a billion dollars. Profits have also been good, averaging 17 percent according to one study, measured before tax as a percentage of net assets.

The factors that make the U.S. an attractive place to invest are economic, but they are also cultural. The U.S. is big enough and diverse enough to appear to be many different countries, not just one.

The U.S. is a land of vast resources and a talented and educated work force, with 20 percent of all adults college graduates and three-fourths high school graduates. Innovation is a national trait, both from a business and a consumer standpoint. Americans are also remarkably free of prejudice about who owns what. They are more interested in the fact of investment than in the nationality of the investor.

Foreign-owned multinational corportations have been a fact of life in the U.S. for decades. Nestle, with a lineup of Beech Nut, Carnation, and Stouffers, not to mention its own chocolate products, feeds Americans of all ages. Electrolux from Sweden, and Tengelmann's Great Atlantic and Pacific Tea Company are all fixtures in the American market place. The number of Japanese companies moving manufacturing facilities here is growing steadily longer. The full list would be extensive.

Factors for success

Who has succeeded and why?

Opportunities are much more evident in the service, high-technology and finance areas.

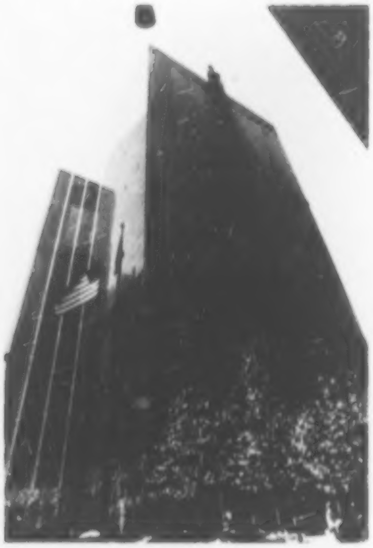
In general, those companies that have done best have carefully evaluated the multiple resource options available in the U.S. market, and chosen a good combination of start-up support and long-term cost or resource advantages.

For companies new to the U.S., planning is

American Hoechst plant at Bishop, Texas.

There is available an enormous variety of debt instruments, off-balance-sheet financing techniques. . .and services which allow much finer and more controlled cost management. . .

American Hoechst newly acquired Celanese headquarters, N.Y.



the essential element, often for more than a year before starting up. In choosing a site, to name just one factor, a company has a much wider range of options than it might in Europe. We commonly think of individual nations as having comparative advantages over others. In the U.S., the states, too, have comparative advantages. This makes it possible for investors to match their needs to a particular set of criteria to give them the best possible foothold.

Transportation, natural resources, proximity to major markets, flexibility of local labor forces, and local tax benefits top the list of variables that must be considered. Any German company interested in establishing or buying a U.S. subsidiary can and should investigate all of them in deciding where and how to set up operations.

The U.S. has a freewheeling economy. German companies are most successful here when they operate in the spirit of the American economy rather than functioning as German companies, with excessively centralized management structure. This pertains to almost every phase of business, from capitilization to marketing to manufacturing.

. . .major U.S. companies often choose their bankers based on the solutions. . .rather than historical ties.

In finance, for example, the U.S. has the most fluid capital market in the world. There is available an enormous variety of debt instruments, off-balance-sheet financing techniques (leasing, corporate-asset finance), and services which allow much finer and more controlled cost management than is possible in markets without these instruments. Many of these techniques, such as leasing, are tax-code driven, while others, such as commercial paper, are common, although much less frequently used in European markets.

In choosing a site,. . .a company has a much wider range of options than it might in Europe.

American Hoechst, and Siemens, for example, are two German companies with strong U.S.-based commercial paper programs. American commercial and investment bankers are much more willing than their continental counterparts to innovate to meet a company's financial needs; in fact, major U.S. companies often choose their bankers based on the solutions they provide to particular problems, as well as basic banking services, rather than historical ties. The competitive nature of the banking system should be used fully by all investors to minimize the financial costs of subsidiary operations.

Other possible fertile areas are engineering and construction. . .

As for marketing, careful market research and identification of customer niches is essential. The U.S. is not a monolithic market; it can support many varieties of basic products, each addressed to different tiers and market segments of consumers. Witness, for example, the huge success of Mercedes and BMW in the same market where Volkswagen opened up the market for foreign cars just a few years previously. While German companies have many strengths, such as operating efficiencies and engineering skills, many of the most successful American subsidiaries rely on U.S. personnel to run their marketing.

The preponderance of German investment in the U.S., perhaps two thirds, is in manufacturing industries. We tend to think in terms of further such investment because both U.S. and

German companies have been leaders in these fields and the market for these items has been well established for a long time.

However, they are not, generally speaking, growth industries in the U.S.. The manufacturing economy has been declining, as the comparative advantage for basic manufacturing has long been shifted from the U.S., and Europe for that matter. Opportunities are much more evident in the service, high-technology and finance areas. There is already considerable German investment in real estate, insurance, banking and finance, all part of the service sector, which has, of course, been booming. I would say that there is room for more. Metallgesellschaft Corporation and its subsidiaries are thriving in money-market, metal, oil and foreign-exchange trading.

The United States is big enough and diverse enough to appear to be many different countries. . .

In New Jersey, a Siemens plant, one of many in U.S.A.

Very significant financial relief in the early years of operation can usually be negotiated. . .

Bertelsmann recently made the headlines by acquiring Doubleday & Company, one of the U.S.' largest and most prestigious publishing houses. German expertise in publishing has been well known for a long time, and should benefit Doubleday. By adding Doubleday to its other U.S. acquisitions, Bantam Books and RCA-Ariola Records, Bertelsmann has purchased a substantial presence in the leisure-time market, and its progress will be closely watched. I think this kind of investment indicates a bolder general direction for transatlantic expansion of German companies.

. . .the U.S. remains a huge market with enormous potential.

Other possibly fertile areas are engineering and construction, where German companies have achieved much in the way of efficiency and technique, and bio-technology and other high-technology, in which the U.S. still holds a formidable advantage. Given the lead the U.S. holds in bio- and high-tech, an aggressive acquisition strategy of medium-size companies can provide new corporate directions and capabilities that would be difficult, if not impossible, to duplicate in Germany on a stand alone basis.

Opportune time to invest

From a purely economic point of view, as well, the DM-Dollar exchange rates makes this a propitious time to invest. Despite the lower cost, the advantages of acquisition and instant market penetration should be balanced carefully against the potential cultural adaptation problems that arise when companies of different nationalities are merged. *De novo* investment, which usually takes longer, can avoid such problems.

Another financial benefit is the tax reform act recently passed by Congress, which significanty lowers U.S. tax rates on corporations from 45 to 34 percent. This could offer benefits in global tax planning to German corporations.

Most states actively court new investment, and many of them maintain offices in Europe to tout their advantages. Thirty-eight states bid for G.M.'s Saturn plant, eventually located in Tennessee. Toyota chose Kentucky for a 3000 employee factory, after being offered a package of tax abatements and other inducements valued

German companies are most successful here when they operate in the spirit of the American economy, rather than. . .with excessively centralized management structure.

Control room, BASF - Chemical Div., Wyandotte, Michigan.

The Bishop plant in Texas of American Hoechst

at over $100 million. Very significant financial relief in the early years of operation can usually be negotiated for most investments, particularly in areas where job creation is a high priority. American work rules are generally more flexible than European ones, with open shops more prevalent than closed ones.

From a corporate risk-management standpoint, companies already selling large volumes to the U.S. should hedge themselves by producing here. Foreign exchange volatility has been increasing rather than decreasing in recent years. Moving production to the U.S. is the easiest way to reduce a large part of this risk. Multiple financial instruments also exist for further hedging capital and remittances. Finally, given the protectionist pressures evident in the U.S., the best strategy for maintaining market share may be to produce here – either through *de novo* investment or through acquisition.

Profits have also been good, averaging 17 percent. . .

The U.S. is not a monolithic market; it can support many varieties of basic products. . .

In summary, the U.S. remains a huge market with enormous potential. It is a technological seed bed, and products and techniques developed here can be applied to other parts of a multinational's operations. With the recent decline of the dollar, the timing is perhaps better today than at any time in the recent past for a serious review of investment opportunities in the U.S. market. ■

DEUTSCHE ZUSAMMENFASSUNG

Deutsche Investitionen in den Vereinigten Staaten haben staendig zugenommen. Gab es 1978 weniger als 900 deutsche Unternehmen in den USA, zaehlt man heute schon an die 2.000, obwohl in den letzten Jahren die Zahl der Neugruendungen—1984 gab es nur 59 Geschaeftsgruendungen zu verzeichnen—wechselkursbedingt zurueckgegangen ist. Jetzt, da der Wechselkurs guenstiger ist, lohnt es sich mehr denn je, in den Vereinigten Staaten, dem groessten und offensten Markt, zu investieren, zumal die Erfahrungen deutscher Investoren ueberwiegend positiv sind.

Dafuer sprechen nicht nur wirtschaftliche, sondern auch kulturelle Gesichtspunkte. Die Vereinigten Staaten sind gross und diversifiziert und praesentieren sich gewissermassen nicht als ein Land, sondern als eine Vielzahl von Laendern. Sie verfuegen ueber gewaltige Rohstoffvorkommen und ein riesiges Arbeitskraeftepotential. Amerikaner sind offen fuer Neuerungen und vorurteilsfrei. Auslaendische Investitionen werden begruesst; die Nationalitaet spielt keine Rolle, wie die Investitionen von Firmen wie Nestle, Electrolux und Tengelmann zeigen.

Die erfolgreichsten auslaendischen Unternehmer haben die vielfaeltigen Investitionsoptionen genauestens geprueft. In diesem Zusammenhang spielt die Standortfrage eine grosse Rolle, da die einzelnen Bundesstaaten verglichen mit anderen zum Teil vielfaeltige Standortvorteile bieten koennen. Daneben kommt der Naehe zu verfuegbaren Rohstoffen und Absatzmaerkten, dem Transportsystem, dem Vorhandensein von Arbeitskraeften und den lokalen Steuern grosse Bedeutung zu. Dabei ist eine rasche Anpassung an den amerikanischen Wirtschaftsstil mit seinem dezentralisierten Management von Vorteil fuer den auslaendischen Investor. Dies gilt insbesondere fuer den Finanzierungssektor, wo eine Vielzahl von Finanzierungsinstrumenten und —techniken zur Verfuegung stehen. Amerikanische Banken, die untereinander in starker Konkurrenz stehen, sind gerne bereit, den individuellen Beduerfnissen von Investoren Rechnung zu tragen.

Auch im Marketingbereich ist eine sorgfaeltige Planung poetig. Hier gilt es zu beachten, dass die Vereinigten Staaten kein monolithischer Markt sind, sondern sowohl geographisch wie auch von den Produktgruppen und Adressaten her gesehen aus verschiedenen Teilmaerkten bestehen und viele Marktnischen bereithalten. Deutsche Investitionen fanden bisher ueberwiegend im Produktionsbereich statt. Dabei handelt es sich generell gesprochen nicht um eine Wachstumsbranche. In den Vereinigten Staaten ist naemlich eine Verschiebung zugunsten der Service-Industrie zu beobachten—dies gilt insbesondere fuer die Bereiche Real Estate, Bank- und Finanzwesen -, und in diesen Bereichen ist sicherlich noch Raum fuer weiteres Wachstum. Deutsche Unternehmen sind auch auf diesen Sektoren mit Erfolg taetig. Beispiele sind die Metallgesellschaft und der Bertelsmann-Konzern, der neben dem Erwerb von Bantam Books, RCA-Ariola Records und zuletzt Doubleday & Company massiv in den amerikanischen Markt eingestiegen ist. Andere Bereiche sind das Ingenieur- und Bauwesen, Biotechnologie- und High Technology-Unternehmen, in denen die Vereinigten Staaten fuehrend sind. Von Vorteil duerfte auch die amerikanische Steuerreform sein. Zusammen mit dem guenstigen Dollarkurs duerfte somit die Zeit fuer Investitionen in den Vereinigten Staaten ausgesprochen guenstig sein. ■

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Steuerliche Planung fuer deutsche Investoren in den USA:
Probleme und Chancen nach der Steuerreform

Tax Planning for German Investors in the U.S.A.: Pitfalls and Opportunities under the New Tax Reform Act

by Reinhard R. Augustin
Partner
Price Waterhouse

The Tax Reform Act of 1986 is the most significant and comprehensive tax legislation passed in the U.S. in a generation. Many years of piecemeal tax legislation had created a variety of tax incentives which encouraged investment in heavy industry, real estate and corporate takeovers. The new tax law has eliminated many of these incentives in favor of a broad based tax at lower rates. However, by eliminating many deductions and introducing an alternative minimum tax (AMT) on book/tax differences, many corporations which have hitherto paid little or no tax, will now pay tax. Foreign investors in particular will be affected by a new branch profits tax, as well as the AMT and other domestic tax increases.

The top corporate tax rate will drop from 46% in 1986 to 40% in 1987 and 34% thereafter. Two important changes are the repeal of the Investment Tax Credit (effective 1986) and the lower capital gain rate of 28% of net capital gains in the case of a corporation. The lives of depreciable assets have been lengthened, particularly for non-residential real estate, where the depreciation period is increased from 19 to 31.5 years.

The preferential treatment of research and development (R&D) expenditures in the U.S. retains R&D tax credit but reduces it . . .

The declining rate structure provides an incentive for many corporations to defer income to later years when it will be taxed at lower rates. The acceleration of deductions into 1986 and 1987, may provide similar benefits. The destruction or sale of obsolete inventory and the acceleration of charitable contributions are two techniques which could be employed to defer income into later years.

For the first time, the top corporate rate will be higher than the top rate for individuals, thereby encouraging the use of the partnership over the corporate form. The top rates for individuals will in general be 38.5% and 28% in 1987 and 1988, respectively (exclusive of state taxes), compared with a top rate of 56% in West Germany. However, a foreign investor in a U.S. partnership is subject to a new 20% withholding tax on distributions made out of U.S. earnings. In addition, a partnership must now generally use the same taxable year as that of its partners who own a majority interest.

Acquisitions Affected

The new tax law changed the tax consequences of acquiring or selling a U.S. corporation after 1986. In many cases, the changes could have an impact on the price of the target

US Tax reform leaders: Senator Packwood and Congressman Rostenkowski

company. A purchaser buying the stock of the target company is entitled to allocate the price of the stock to the target's assets for purposes of tax amortization ("step-up in value"). Alternatively, the purchaser can assume the seller's basis in the assets, normally a much lower figure. Under prior law, step-up could be achieved at the cost of recapture of depreciation and Investment Tax Credit. Under the new tax law, in addition to the recapture of prior years' deductions, the target will have to pay tax on the appreciation in the assets as a condition for the step-up. It is possible to shift this tax burden to the seller. But in many cases, the step-up will not be a practical solution for transactions after 1986.

U.S. source income is defined to include 50% of all income from transportation that begins or ends in the U.S.

Overall, after 1986 buyers will find that new restrictions on the use of losses and on the allocation of purchase price to depreciable assets make the tax attributes of the target company less valuable. Marianne Burge, international tax partner with Price Waterhouse indicated that "More than ever, buyers and sellers will have to take tax consequences into account in planning the acquisition structure and agreeing to a purchase price."

. . .the step-up will not be a practical solution for transactions after 1986.

The tax rate differential between the U.S. and Germany may change the financing of U.S. acquisitions. With lower tax rates in the U.S., there may be a greater incentive to borrow funds in Germany and capitalize U.S. investments with equity rather than debt.

International Profits

As under prior law, a corporation doing business in the U.S. is required to report intercompany transactions with related foreign corporations. These reports are likely to result in closer scrutiny of intercompany pricing practices. Under prior law, a low transfer price for customs purposes reduced import duties while a high transfer price for the same article could be deducted for income tax purpose. Under the new law, transfer prices for income tax must conform to values reported for customs purposes. According to Robert Hardy, customs specialist in the New York office of Price Waterhouse, there may still be valid differences between the prices reported for income tax and customs purposes. "Congress has asked for regulations which will coordinate the income tax and customs valuation principles. We can expect adjustments allowed for such items as freight and sales commissions."

. . .some sectors of the U.S. economy were hit harder than others by the new tax law.

Although the tax benefits for manufacturing profits earned in Puerto Rico have been reduced, Puerto Rico still remains a very favorable manufacturing base, particularly for sales made into the U.S. Through favorable transfer pricing, one-half of the combined taxable income from these sales can be allocated to Puerto Rico and is thus exempt from U.S. tax. The "profit split" method is attractive for high margin, labor intensive goods manufactured for sale in the U.S.

For imports, the new source of income rules are important. The source rules, read in conjunction with the relevant tax treaty, determine which country has the right to tax income arising from imports. As under prior law, income from the sale of inventory is sourced in the country where title passes, but for foreign residents, who maintain a sales office in the U.S., imports will now result in U.S. source income. Thus, for example, if the sales to the U.S. are made by a Swiss subsidiary of a German company, under the U.S.-Swiss tax treaty foreign source sales income derived from a U.S. permanent establishment is exempt from U.S. tax. The new source rules for inventory expand the definition of U.S. source income and thereby eliminate an important exemption in the U.S.-Swiss treaty and several other similar treaties. If the goods are for sale outside the U.S. and a foreign office materially participates in the sale, the source of resulting income could still be foreign source.

. . .the new tax law will have significant long-term repercussions on the U.S. economy.

Foreign shipping and aircraft companies engaged in the business of transportation to and from the U.S. are required to pay a new 4% tax on U.S. source gross transportation income. U.S. source income is defined to include 50% of all income from transportation that begins or ends in the U.S. Formerly, transportation income was generally allocated in proportion to the expenses incurred.

The reserve method for computing bad debt deductions was repealed. . .

Branch Tax Provisions

In an effort to equalize the tax treatment of U.S. branches and U.S. subsidiaries, a 30% branch tax has been introduced. This is applicable to branch earnings not reinvested in the U.S. business. This tax is in addition to the regular corporate tax. Under the terms of the non-discrimination clause of the U.S.-Germany treaty, the U.S. appears to be prohibited from levying this tax. Congress specifically indicated that the branch tax does not override nondiscrimination treaty clauses that apply to permanent establishments unless there is "treaty shopping". The nondiscrimination clause of the U.S.-German treaty does not make any reference to permanent extablishments. Thus, commentors have expressed concern that the branch tax may override the nondiscrimination clause of this treaty. If this interpretation is correct, U.S. branches owned by German investors may be subject to branch profits tax at the treaty (dividend) rate of 15%.

Signing the Tax Bill.

The nondiscrimination clause of the U.S.-German treaty does not make any reference to permanent establishments.

The branch tax has a second feature which imposes a second level withholding tax on dividends paid by a foreign corporation with a U.S branch in cases where the branch profits tax is prohibited by treaty. This provision also overrides treaties in the case of "treaty shopping".

A new "arms length" standard has been introduced for the pricing of intangibles transferred between U.S. and foreign related companies.

The branch tax provision also imposes a withholding tax of 30% on interest paid or allocated to the branch. This provision is extremely complex and controversial in its interaction with tax treaties. As in all these matters, taxpayers should consult their tax advisor.

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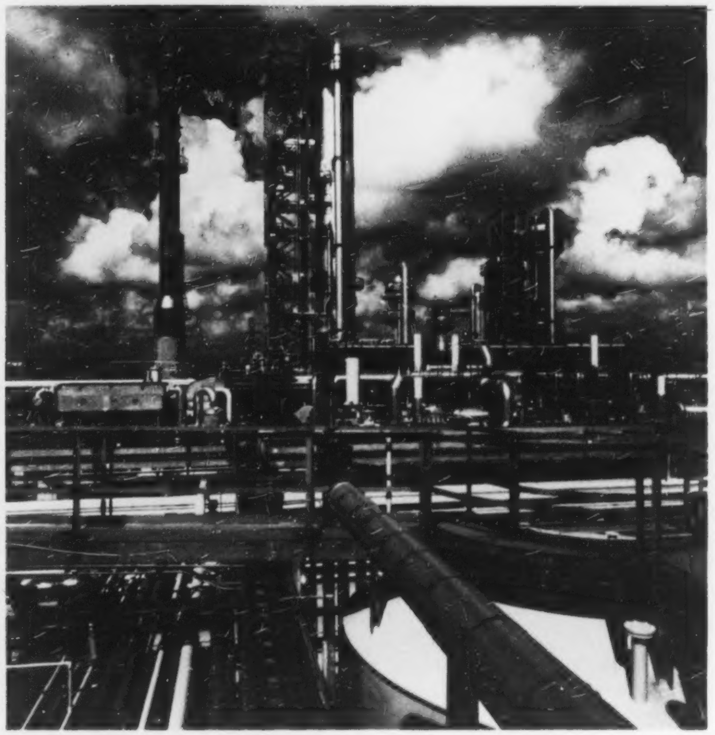

In Freeport TX: A view of BASF Chemical Plant.

Intangibles and R&D

A new "arms length" standard has been introduced for the pricing of intangibles transferred between U.S. and foreign related companies. The transferor is required to recognize income "commensurate with the intangible", which could exceed a percentage royalty based on sales and could imply some sharing of profits.

However, this provision may work to the advantage of the foreign investor seeking to transfer such intangibles to the U.S., because the statute works both ways and could be used to support a higher royalty deduction in the U.S. than was previously available.

The preferential treatment of research and development (R&D) expenditures in the U.S. retains R&D tax credit but reduces it from 25% to 20% and narrows the definition of qualifying R&D. Taxpayers who incur qualified R&D in the U.S. are entitled to a current deduction as well as a credit equal to 20% of current year expenditures in excess of an average three year base period. Since the credit is incremental in nature, it is particularly valuable to ventures which are expected to increase their R&D expenditures.

Alternate Minimum Tax

Of particular significance under the new law are the expanded provisions of the alternative minimum tax (AMT). These provisions set a floor below which U.S. taxpayers cannot use additional tax preference items to reduce their tax liability. In the case of a corporation, a controversial new provision imposes a tax based on book income reported for financial statement purposes. In effect, the expanded AMT amounts to a secondary tax structure designed to tax those taxpayers who successfully reduce their primary tax liability below proscribed levels.

The AMT liability is computed by increasing regular taxable income by a number of tax preference items such as tax depreciation in excess of book depreciation and municipal bond interest income. One-half of the excess of pre-tax book income over this amount is added to it. The total amount is taxed at 20%. If this tax is higher than the regular tax computed at normal corporate rates, the alternative tax must be paid, as illustrated below:

Sample AMT computation — 1987

Taxable income	$1,000	
Add - tax preferences:		
Depreciation	100	
Municipal bond interest	100	
	$1,200	$1,200
Pre-tax book income (per financial statements)	3,000	
	1,800	
50% x $1,800		900
Alternative minimum taxable income		$2,100
Tentative AMT: 20% x $2,100		$ 420
Regular corporate tax: 40% x $1,000		400
Tax for 1987 (greater of $420 and $400)		$ 420

Book income for this purpose means the pretax income shown on the taxpayer's financial statements. These are defined as:

1. Statements required by the Securities and Exchange Commission, or
2. Audited statements used for credit purposes, for shareholders or other nontax purposes, or
3. Statements required by regulatory agencies, or
4. Other nonaudited statements used for credit purposes, for shareholders or other nontax purposes.

If the company has more than one of the above, the priority is in the order shown above.

The taxation of book earnings on this scale is a new concept in U.S. taxation and has drawn considerable criticism on the ground that the AMT is based on financial reporting principles rather than tax law.

Accounting Changes

The new tax law also made a significant number of tax accounting and timing changes which will affect U.S. taxpayers. For example, taxpayers must now capitalize indirect expenses such as warehousing and purchasing costs allocable to inventory. Some taxpayers may have to alter their cost accounting procedures to comply with this requirement. The reserve method for computing bad debt deductions was repealed; bad debt deductions are now limited to amounts actually charged off.

The deduction for business meals and entertainment expenses was limited to 80% of cost. In addition, business meals must 1) be directly related to the active conduct of the taxpayer's trade or business, 2) have a clear business purpose, 3) not be lavish or extravagant, 4) be provided in the presence of the taxpayer or an employee. If an employee is reimbursed for business meals the employer is subject to the 80% limitation.

Although U.S. federal rates are scheduled to decline, most states have shown no inclination to follow suit. Since most states base their tax systems on federal taxable income, the base broadening aspects of the new tax law, when coupled with constant state rates, will result in higher state taxes. Although these higher taxes are deductible for federal purposes, lower federal rates make all deductions in general (and state tax deductions in particular) less valuable on an after-tax basis.

On another state tax matter, California has recently voted to grant taxpayers relief from its unitary system of taxation. Such relief can only be obtained through an irrevocable election to be taxed exclusively on the basis of the taxpayer's entire U.S. operations, i.e., the "water's edge" method. This election requires the payment of a one time tax equal to .03% of the corporation's sales, property and payroll in California. The election brings with it the requirement to produce extensive information, thus probably resulting in just the sort of reporting that multinationals have sought to avoid.

Investors should be alert to the fact that some sectors of the U.S. economy were hit harder than others by the new tax law. The loss of Investment Tax Credit hurt the older, more capital intensive industries. Longer write-offs and new limitations on individual tax shelters hurt real estate. Banks suffer an adverse change in the loan-loss reserve deduction and the deduction of interest associated with their investments in tax exempt securities. Meanwhile, the retention of the R&D and possession's tax credits favor high-technology, high profit industries.

There seems to be wide agreement that the new tax law will have significant long term repercussions on the U.S. economy. There the agreement ends. For the individual tax payer, and therefore also the non-U.S. investor, there are many known tax consequences which are both immediate and predictable. Thoughtful tax planning, particularly in the next few years, is critical to making the most of the opportunities and avoiding the pitfalls of the new system. Sweeping legislative changes such as those brought about by the new tax bill leave in their wake a transitional period between the new and the old law. Historically, this has been a very fertile time for tax planning and investors would be wise to act sooner rather than later. ■

For imports, the new source of income rules are important.

DEUTSCHE ZUSAMMENFASSUNG

Das Steuerreformgesetz 1986 ist das bedeutendste und umfassendste US-Steuergesetz, das seit langem verabschiedet worden ist. Das Flickwerk steuerlicher Gesetzesaenderungen ueber viele Jahre hatte zahlreiche Steuervorteile geschaffen, die insbesondere die Schwerindustrie, die Immobilienwirtschaft und den Erwerb von Kapitalgesellschaften beguenstigten. Das neue Gesetz hat viele dieser Vorteile beseitigt zugunsten einer allgemeineren Besteuerung mit niedrigeren Saetzen.

Der Spitzensatz der Koerperschaftsteuer ermaessigt sich von 46% ueber 40% (1987) auf 34% (1988). Zwei einschneidende Aenderungen sind die Abschaffung des Investment Tax Credit und des niedrigen Steuersatzes von 28% auf Veraeusserungsgewinne von Kapitalgesellschaften. Die steuerliche Abschreibungsdauer insbesondere fuer gewerbliche Gebaeude wurde wesentlich verlaengert.

Die niedrigeren Steuersaetze sollten Anlass zu Ueberlegungen geben, inwie-

weit fuer Kapitalgesellschaften Moeglichkeiten einer zulaessigen Gewinnverlagerung auf zukuenftige Jahre bestehen.

Zum ersten Mal wird der Spitzensteuersatz fuer Kapitalgesellschaften hoeher sein als der fuer natuerliche Personen, der auf 28% (ohne Landessteuern) herabgesetzt wird. Damit werden Investitionen in der Rechtsform der Personengesellschaft attraktiver. Jedoch hat ein Auslaender, der an einer US-Personengesellschaft beteiligt ist, eine neu eingefuehrte Quellensteuer von 20% auf entnommene Gewinne zu entrichten.

Fuer Unternehmensuebertragungen wird eine grundsaetzliche Neuorientierung erforderlich sein. Die bisher steuerlich vorteilhafte Aufstockung der Wertansaetze des Betriebsvermoegens ("step-up in value" Methode) beim Erwerb von Anteilen an US-Kapitalgesellschaften wird nach 1986 in vielen Faellen keine akzeptable Loesung mehr darstellen. Die nunmehr zwingende Versteuerung aller stillen Reserven bei Aufstockung der Wertansaetze des Betriebsvermoegens durch die erworbene Gesellschaft sowie die Einschraenkung in der Nutzung steuerlicher Verlustvortraege mindert die steuerlichen Vorteile eines Unternehmenserwerbs. Die niedrigen US-Steuersaetze koennen auch dazu fuehren, einen Unternehmenserwerb nicht durch Aufnahme von Fremdmitteln in den USA zu finanzieren sondern durch Bereitstellung von Eigenkapital.

Fuer Warenlieferungen einer deutschen Muttergesellschaft an ihre US-Tochtergesellschaft konnten nach altem Gesetz (niedrigere) Werte fuer die Zolldeklaration und (hoehere) Transferpreise fuer ertragsteuerliche Zwecke nebeneinander bestehen. Das neue Gesetz verlangt eine weitgehende Angleichung dieser Werte. Sachlich gerechtfertigte Unterschiede wie Frachten und Umsatzprovision duerften allerdings auch in Zukunft akzeptiert werden.

Der Ermittlung von Verrechnungspreisen aufgrund des Transfers immaterieller Wirtschaftsgueter zwischen verbundenen Unternehmen in den USA und im Ausland wurden neue Standards gesetzt, die tendenziell zu hoeheren Verrechnungspreisen fuehren. Diese Vorschrift ist jedoch keine Einbahnstrasse und kann von einer deutschen Muttergesellschaft auch zu einer hoeheren Belastung der US-Tochtergesellschaft mit Lizenzgebuehren genutzt werden.

Die bisherige Steuerbeguenstigung von Produktionsgewinnen aus Puerto Rico wurde eingeschraenkt, doch ist der Steuervorteil immer noch erheblich. Durch entsprechende Gestaltung der Verrechnungspreise wird der Gesamtgewinn aus dem Verkauf der Produkte in die USA zur Haelfte der Betriebstaette in Puerto Rico zugerechnet und ist damit von der US-Besteuerung ausgenommen.

Um die steuerliche Belastung von US-Zweigniederlassungen und US-Kapitalgesellschaften anzugleichen, wurde eine Betriebsstaettensteuer von 30% auf nicht in den USA reinvestierte Gewinne eingefuehrt, die zusaetzlich zur normalen Koerperschaftsteuer erhoben wird. Es ist zur Zeit nicht abschliessend geklaert, ob die USA gemaess dem Doppelbesteuerungsabkommen Deutschland-USA zur Erhebung einer solchen Steuer berechtigt sind. Falls das Abkommen keinen Schutz gewaehrt, waere diese Steuer allerdings auf 15% begrenzt. Die Vorschriften zur Betriebsstaettensteuer sehen auch vor, auf gezahlte oder der Zweigniederlassung belastete Zinsen ebenfalls eine Quellensteuer von 30% zu erheben.

Die Foerderung von Forschung und Entwicklung durch Steuergutschriften wird—allerdings in eingeschraenkter Form—fortgefuehrt. Beguenstigt sind insbesondere die Unternehmen, die jaehrlich steigende Aufwendungen in diesem Bereich aufweisen.

Von besonderer Bedeutung sind die erweiterten Vorschriften zur Alternative Minimum Tax (AMT). Durch die AMT-Vorschriften koennen steuerliche Verguenstigungen nur noch insoweit geltend gemacht werden, als dadurch bestimmte Grenzwerte fuer Steuerverbindlichkeiten nicht unterschritten werden. Besonders umstritten ist in diesem Zusammenhang die Einbeziehung der Haelfte der Differenz zwischen Handelsbilanz—und Steuerbilanzgewinn in die Bemessungsgrundlage fuer die AMT.

Mehrere Bewertungsvorschriften wurden geaendert. In die Herstellungskosten sind jetzt auch indirekte Kosten wie Kosten der Lagerhaltung oder Einkaufskosten einzubeziehen. Wertberichtigungen auf zweifelhafte Forderungen sind nach dem neuen Gesetz nicht mehr abzugsfaehig, sondern nur noch ausgebuchte Forderungen, d.h. tatsaechliche Forderungsausfaelle. Aufwendungen aus geschaeftlichem Anlass fuer Bewirtung und Unterhaltung sind nur noch zu 80% abzugsfaehig. Der Begriff geschaeftlicher Anlass wurde weiter eingeschraenkt.

Die einzelnen Bundesstaaten haben ihre Einkommensteuern der Steuerreform bisher nicht angepasst. Da die meisten Staaten ihre Steuern auf der Grundlage der fuer die Bundeseinkommensteuer massgeblichen Einkommen ermitteln, duerfte der Aufwand fuer staatliche Steuern steigen. Ferner wirkt sich die Abzugsfaehigkeit der staatlichen Steuern von der Bundeseinkommensteuer aufgrund des niedrigeren Bundessteuersatzes entsprechend weniger vorteilhaft aus.

Die allgemeine uebereinstimmende Ansicht ist, dass die Steuerreform wesentliche langfristige Auswirkungen auf die US-Wirtschaft haben wird. Uneinigkeit besteht jedoch, wie diese Auswirkungen auf die Gesamtwirtschaft aussehen werden.

Fuer den einzelnen Steuerpflichtigen und somit auch fuer den deutschen Investor sind viele der Auswirkungen unmittelbar und vorausschaubar. Gruendliche steuerliche Planungen, insbesondere in den naechsten Jahren, sind erforderlich, um die Chancen des neuen Systems zu nutzen und dessen Nachteile zu vermeiden. Wesentliche Aenderungen des wirtschaftlichen Umfelds, wie diese Steuerreform, machten es seit jeher erforderlich, moeglichst fruehzeitig bestehende Strukturen kritisch zu ueberpruefen und an die neuen Verhaeltnisse anzupassen. ■

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27 10 -29 10 1987

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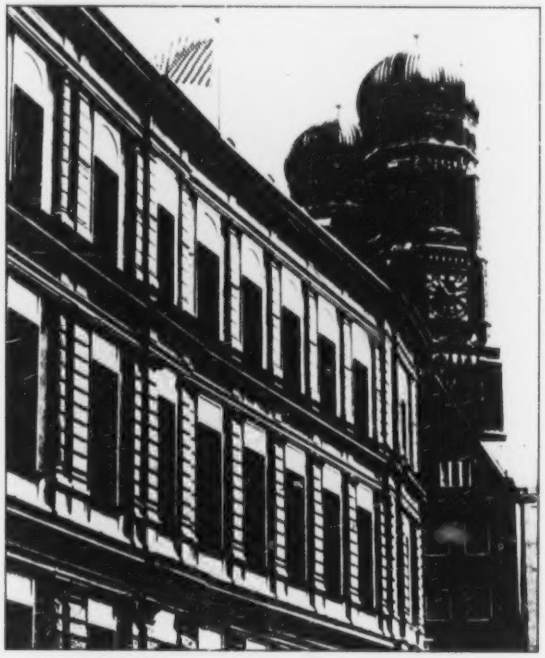

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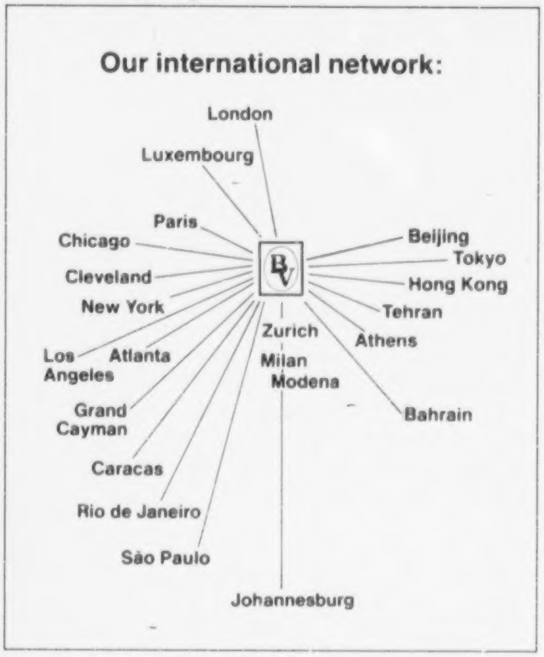
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Die Wirtschaftslage und Erwartungen fuer 1987

The Economic Situation and Expectations for 1987

by Association of German Chambers of Industry and Commerce (DIHT)

The results of the DIHT inquiry into the ECONOMIC SITUATION AND EXPECTATIONS IN AUTUMN 1986 are based on an opinion poll conducted among the 69 Chambers of Commerce and Industry in West Germany. In turn, the Chambers chose a representative cross-section of member firms as respondents and then analysed about 14,000 replies. The opinion poll took place between the end of August and the end of September 1986. The analysis was concluded by mid-October 1986.

This text is a shorter version of the substantially larger German original.

The Overall Economic Situation

The current economic situation in West Germany is marked by a rise in domestic demand. This demand at home is now replacing exports more and more as the driving force behind the upswing: however, it cannot replace sales abroad in full. That creates problems for many firms, and it impairs their economic dynamism. Nevertheless, the confidence of enterprises in the present favorable business climate remains undiminished.

This switch from external to internal trade occurred abruptly and intensively; at the start of 1986, the business community had not anticipated that the change-over would occur on this scale.The situation has now led, above all in industry, to a certain degree of caution in assessing the present conditions and also the expectations for the coming year. Furthermore, the judgement of the future intake of orders is more circumspect than in previous months.

The proportion of enterprises which deem their volume of busines to be good has slightly decreased from 34% to 31% compared with last February. The fact of the perceived decline does not justify the assumption of grave and direct dangers to the economic trend as may be seen from the decrease in the number of entrepreneurs who hold a negative opinion about future business: their percentage has dropped to the low level of 14%.

However, more businessmen now view the prospects as "satisfactory" rather than "good". This stems, first and foremost, from the changes in the field of foreign trade. The slower rate of growth in world trade in 1986, coupled with the clear-cut rises in the DM exchange rate (particularly towards the dollar), presents a handicap for German exporters and at least results in a loss of profits on foreign markets. However, the German companies do not see any signs of a sharp fall in exports.

At the same time, there has taken place a considerable increase in competition from foreign suppliers, not only abroad but also in Germany. Competition has become tougher on the domestic market. The consequences of this for those producers whose goods are geared to the domestic market is that it cancels out part of the positive impact flowing from the improvement in private consumption.

Quality and punctuality of delivery retain their eminent importance.

The latter is, however, playing a role in strengthening private purchasing power. The unexpectedly high degree of price stability, the increased level of employment and the implementation of the first stage of the tax reform have created additional income for private households.

Expectations for 1987

The upswing in the economy will continue in 1987, albeit on a diminished scale. The main factor in this somewhat reserved assessment by the business sector is the expectation that the rising volume of domestic demand in 1987 will not suffice to even out the dwindling vigor of exports. The optimistic mood has suffered a setback, above all from the fall in export profits. On the other hand, the prospects for business on the home market are good. In Germany itself, private consumption and investment will determine the magnitude of economic growth in the coming year.

Twenty-six percent of all firms assume that the year 1987 will see a further improvement in their situation. Fifty-seven percent reckon with approximately the same volume of business as in this year: that means a continuation of "good conditions" for the overwhelming majority of firms. Eighty-three percent expect at least that the present circumstances will continue to prevail. However, seventeen percent of all enterprises believe that their business conditions will deteriorate in 1987.

As a comparison with the beginning of this year or the autumn of 1985 reveals, the ratio of businessmen who reckon with further improvements has undergone a considerable fall – from 34% and 30% respectively to today's level of 26%. On the other hand, the proportion of entrepreneurs who fear that conditions will worsen has stayed virtually constant in 1986.

A comparison between the trading and industrial sectors shows the following results: trade now stands at the top of the table for positive expectations regarding 1987, 34% of wholesalers and retailers think that their position will still improve. The figure for industry is only 25% (and in the construction sector as low as 19%). The percentage of companies which reckon with worse results in 1986 is 15% of all trading enterprises, 17% of all industrial firms and 26% of all construction businesses.

Investment in 1987

On the basis of the existing plans, companies will continue to increase their investment in 1987. Nonetheless, the growth in investment expenditure will lie somewhat below the figure for the current year. The dynamic growth in investment will flatten out to a certain extent in 1987, but nevertheless remain at a noteworthy level. The sector most affected by this trend will be industry. However, the trading sector is planning to effect higher investment whilst the decline in the construction industry will diminish.

The following points are relevant for reaching an overall assessment:

- The proportion of entrepreneurs who wish to raise their investment spending in 1987 *vis-a-vis* this year comes to 28%. In Autumn 1985, the figure was 30% and in Autumn 1984 it stood at 26%.
- The proportion of entrepreneurs who wish to keep their 1987 investment spending at the same level as this year comes to 51%. In Autumn 1985, the figure was 48%, while in Autumn 1984 it amounted to 50%.
- The proportion of entrepreneurs who envision reduced investment spending comes to 21%. In Autumn 1985, the figure was 22% and in Autumn 1984 it was 24%.

On the whole, the prospects for the scale of investment in 1987 are still favorable: they rest on a positive assessment of future demand, a frequently improved level of profits, and good financing possibilities due to favorable interest rates.

. . .the chemical industry as a whole does not foresee a decline.

In the most significant investment sector of the West German economy, namely industry, 30% of firms wish to invest more compared with 20% who wish to invest less.

Export Trends in 1987

German enterprises are, in the main, confident about their export prospects for 1987. They assume that exports will increase in comparison with 1986, though without any great degree of dynamism. In view of the hesitant trends in world trade and uncertain movements in exchange rates, this confidence may come as a surprise. It can be explained by the fact that firms continue to believe in their high degree of international competitiveness. They would rather forgo some profit in their export business than abandon their market positions.

This assessment leads one to conclude that exports will no longer provide the driving force for the economy in 1987. Moreover, as imports will grow more than exports in 1987, foreign trade as a whole will tend to depress the rate of economic growth. Thirty-four percent of firms plan on increased exports in 1987 while forty-eight percent plan on unchanged results and eighteen percent with reduced exports.

A comparison with the statistics for Autumn 1985 and January 1986 points to a significant increase in the number of entrepreneurs who fear that their exports will be reduced. This number has doubled in the meantime. The still large number of confident businessmen indicates that the exchange-rate movements only form one of several determinants in the export sector. Indeed, many firms do not even regard it as the most important factor.

The expectations in the raw materials and producer goods sectors are highly divergent: the manufacturers of iron and steel in particular fear a fall in their exports due to trade restrictions, subsidies and unfavorable exchange rates, whereas the chemical industry as a whole does not foresee a decline. However, difficulties are envisioned for the export of basic chemicals. The rubber producers are also confident that they will maintain their 1986 export levels and perhaps even raise them.

Within the investment goods industries, the assessments are less divergent. As a rule, these firms plan on futher export growth – though on a reduced scale. This applies above all to the mechanical engineering sector which believes it has good chances for stepping up its sales abroad, particularly with special machines. It is in particular the mechanical engineering sector which is less affected by exchange-rate movements than by the hesitant and sometimes declining trends in world trade. The automobile manufacturers still feel sure that their offers will attract purchasers throughout the world, and they plan on continued growth in exports.

There are numerous causes of these differing expectations, which point in general towards a slower rate of growth.

The principal component to be cited is the movements in exchange rates and their impact on profits. In the first place, this relates to the U.S. dollar, although a large number of other currencies are directly or indirectly linked to it. This explains the poor or at least less optimistic expectations regarding sales to South America and to a number of East Asian countries.

In the case of Europe, firms also draw attention to the strengthened role of the DM as a possible obstacle in the coming year. This refers less to those countries whose currencies are linked together within the EMS than to the pound sterling, which has lost a substantial amount of its value *vis-a-vis* the DM in recent months. In view of the hesitant economic growth in Great Britain (also caused by the fall in oil prices), German firms fear that they may lose important markets or market-segments to their British competitors and to the increasing number of Asian competitors.

As regards the other states in the European Community, changes in exchange-rate parities are regarded as being at least a partly decisive factor in determining one's success. German firms are now suffering from an unexpectedly poor level of demand, which hardly permits any increase in sales. Nevertheless, these enterprises plan on an improvement in 1987.

One positive factor for exporters is the movement in the exchange rate for the DM *vis-a-vis* the Japanese yen, which has been revalued more than the German currency.

Yet even in this case, the exporters who plan on further growth in this market point less to the role of the exchange rate and more to their own increased sales efforts.

The sharp fall in oil prices has led to a considerable contraction in income for the oil-producing countries in general and for the OPEC group in particular. Nor do German firms plan on any fundamental change in this situation for 1987. In consequence, the great majority of the oil-producing states will cut their demand for goods from abroad even more than hitherto. The constructors of large plant equipment will be substantially affected by this – as will construction entrepreneurs and their subcontractors, too.

The persistently precarious position of many highly indebted countries will not allow them to expand their imports from abroad to any appreciable degree in 1987. This means that the export prospects for South America and Africa are poor. Moreover, the situation in many of these states will worsen in future due to political uncertainty.

As regards trade with East European countries, financial difficulties will continue to aggravate German export prospects. The hopes cherished for 1986 at the start of a new five-year plan have not been fulfilled in the main. The Soviet Union is suffering the consequences of the fall in the price of oil and natural gas. The export prospects for East European countries whose development depends on imports from the West are still dim.

Many firms face increased problems as a result of greater restrictions on trade. This applies in particular to the relationship between the EEC and the U.S.A. Sectors such as iron and steel as well as foodstuffs and semi-luxuries are encountering an increasingly higher wall of protectionist measures. The expectations for 1987 point to a further deterioration rather than an improvement. Even the optimists, however, who think exports will hold steady in 1987 feel that they have to quote reasons to justify their expectations.

Generally speaking, these enterprises plan with a high or often higher degree of competitive strength. They undertake considerable efforts in order to accomplish further improvements in their own products and their range of goods. Apart from this technical aspect, mar-

. . . industry and the retail trade envision the employment of more staff.

keting plays a big role in explaining the reasons behind their optimistic assessment. Such firms continue to improve marketing and distribution; their customer service is expanded; the canvassing of new customers is stepped up; and increased endeavors are made to tap entirely new markets. Quality and punctuality of delivery retain their eminent importance.

Many enterprises regard their position abroad as being facilitated by the slow rise in costs in Germany: this offsets part of the disadvantage suffered by the rise of the DM exchange rate, and it reduces the pressure on profits.

Employment 1987

The employment situation will continue to improve in 1987 following the increased levels of employment achieved this year. However, the personnel planning undertaken by firms for next year indicates that the rate of growth will flatten out in comparison with 1986.

At the present time, 17% of German companies envision increased staff levels for 1987. In Spring, 1986, the figure was still 22% compared with 18% in Autumn, 1985. This denotes a small drop in the number of firms which want to engage additional personnel.

Conversely, a slight increase has been recorded for those firms which intend to cut their workforce in 1987. At present, 16% of business enterprises intend to cut their staff compared with only 15% in Spring 1986 and 17% in Autumn 1987.

A look at the individual sectors shows that above all industry and the retail trade envision the employment of more staff. On the other hand, the construction industry and the wholesale trade plan on cuts. In industry, 19% of firms want to strengthen their workforce whereas 16% intend to reduce it. This overall positive result stems from the above-average favorable trend in the investment goods industries – especially mechanical engineering, electrical engineering and automobile construction.

In the construction sector, 19% of the firms want to cut their workforce compared with only 8% who foresee increases. However, this constitutes a slight improvement *vis-a-vis* the past.

For the trade sector as a whole, the number of firms wishing to expand their staff equals the number who intend to cut it, namely 14%. Whereas, the retail trade reports a clear-cut rise in the willingness to take on personnel (especially part-time employees), the wholesale sector anticipates further reductions. ■

DEUTSCHE ZUSAMMENFASSUNG

Die gegenwaertige konjunkturelle Situation wird von der Inlandsnachfrage gepraegt. Die Inlandsnachfrage tritt als Konjunkturmotor mehr und mehr an die Stelle des Exports. Sie vermag ihn aber bisher nicht voll zu ersetzen. Die aufwaertsgerichtete Wirtschaftsentwicklung wird sich auch 1987, wenn auch in leicht abgeschwaechter Form, fortsetzen. Risiken werden jetzt deutlich und in groesserer Zahl gesehen. Auf die Stimmung druecken vor allem Erloeseinbussen im Export. Auf den Binnenmaerkten nimmt der Wettbewerb auch wegen der schnell steigenden Importe zu. Trotzdem beurteilen die Unternehmen die Geschaeftsaussichten im Inland ueberwiegend positiv.

Die Investitionen der Unternehmen im Jahre 1987 werden nach den bisher vorliegenden Planungen weiter zunehmen. Hierbei wird jedoch der Zuwachs der Investitionsaufwendungen etwas unter dem des laufenden Jahres liegen. Die Investitionsdynamik wird damit im kommenden Jahr—bei einem allerdings weiterhin beachtlichen Niveau—geringfuegig nachlassen. Von dieser Tendenz wird hauptsaechlich die Industrie betroffen. Der Handel plant hingegen merklich hoehere Investitionen, waehrend bei der Bauwirtschaft der Rueckgang nachlassen wird.

Fuer die Gesamteinschaetzung ist massgeblich:

- Der Anteil der Unternehmen, die ihre Investitionsausgaben 1987 gegenueber 1986 erhoehen wollen, betraegt 28 Prozent. Er lag im Herbst 1985 bei 30 Prozent und im Herbst 1984 bei 26 Prozent.
- Der Anteil der Unternehmen, die ihre Investitionsausgaben 1987 auf dem Stand des Vorjahres halten wollen, macht 51 Prozent aus. Dieser Anteil lag im Herbst 1985 bei 48 Prozent und im Herbst 1984 bei 50 Prozent.
- Der Anteil der Unternehmen mit vorgesehenem vermindertem Investitionsaufwand betraegt 21 Prozent. Er lag im Herbst 1985 bei 22 Prozent und im Herbst 1984 bei 24 Prozent.

Die Unternehmen sind fuer die Exportentwicklung des Jahres 1987 ueberwiegend zuversichtlich. Sie gehen davon aus, dass die Exporte gegenueber 1986, wenn auch ohne grosse Dynamik, wachsen werden. Diese Zuversicht mag ueberraschen, angesichts eines nur schleppenden Welthandels und einer unuebersichtlichen Wechselkursentwicklung. Sie erklaert sich jedoch daraus, dass die Unternehmen ihre internationale Wettbewerbsfaehigkeit weiter hoch einschaetzen. Sie sind eher bereit, Erloeseinbussen im Auslandsgeschaeft hinzunehmen als Markpositionen aufzugeben.

Diese Einschaetzung fuehrt zu dem Schluss, dass der Export im Jahre 1987 nicht mehr Triebfeder der Konjunktur sein wird. Da zudem die Importe 1987 schneller als die Ausfuhren wachsen werden, gehen von der Aussenwirtschaft insgesamt sogar daempfende Einfluesse auf das Wirtschaftswachstum aus.

Nach der Beschaeftigungszunahme im Jahre 1986 wird sich der Beschaeftigungsaufbau auch 1987 fortsetzen. Die Personalplaene der Unternehmen deuten allerdings darauf hin, dass sich der Zuwachs im kommenden Jahr gegenueber 1986 leicht abflachen wird. Im Handel insgesamt halten sich Aufstockungs—und Abbauplaene mit jeweils 14 Prozent die Waage. Waehrend im Einzelhandel jedoch eine deutlich gestiegene Einstellungsbereitschaft, vor allem bei Teilzeitkraeften, festzustellen ist, wird im Grosshandel weiter mit einem Personalabbau gerechnet. ■

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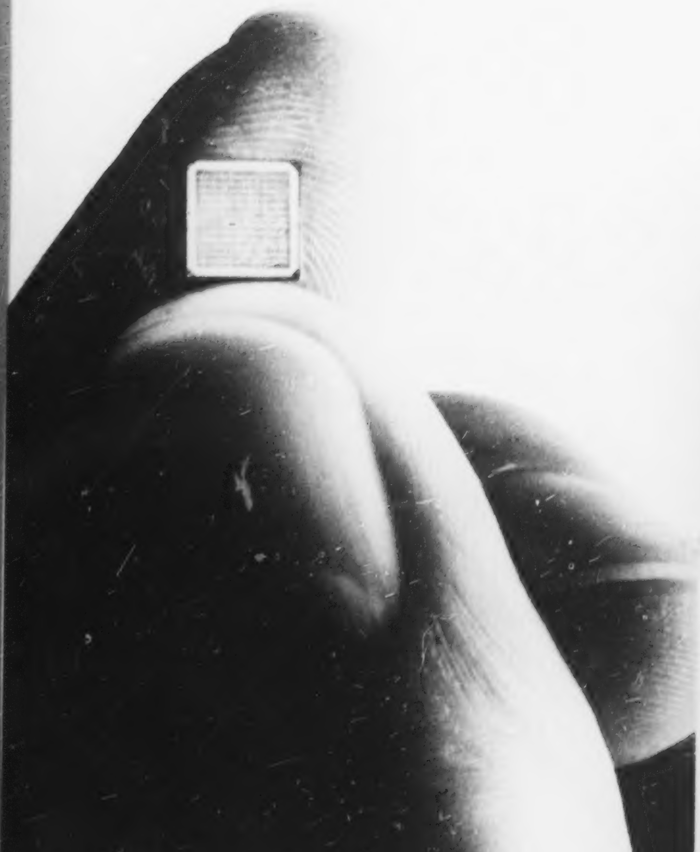

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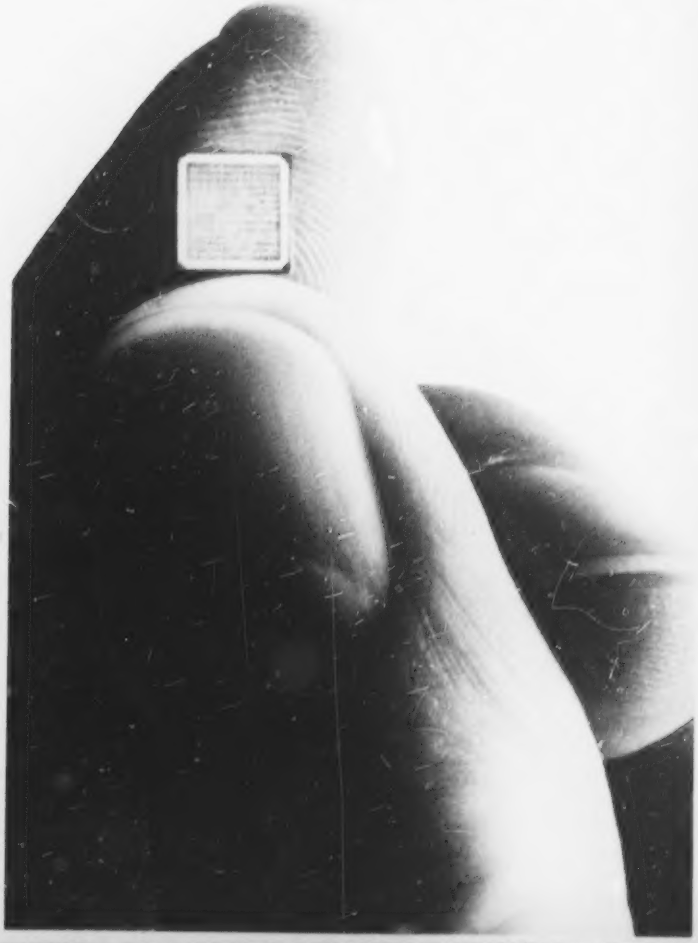

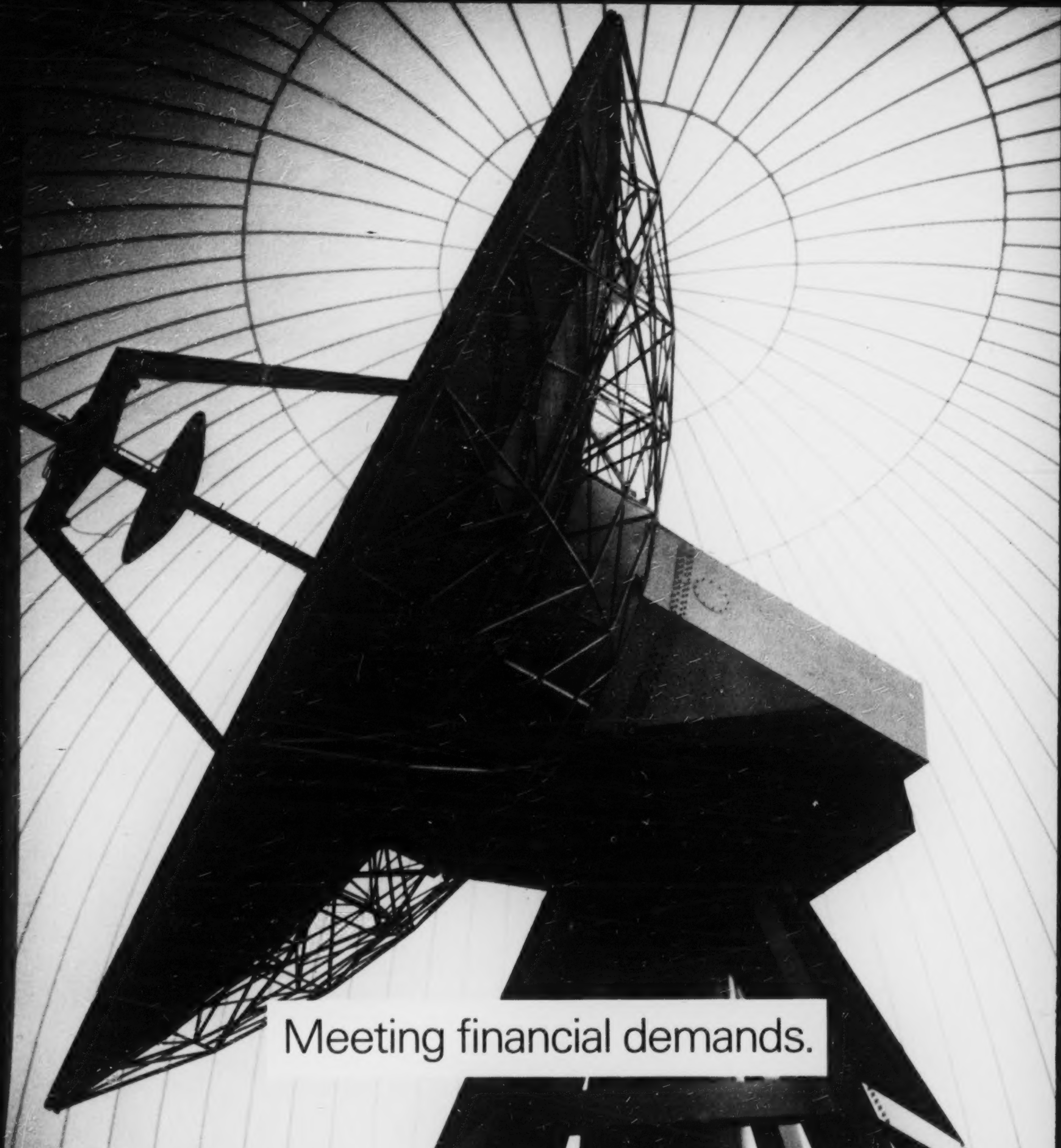

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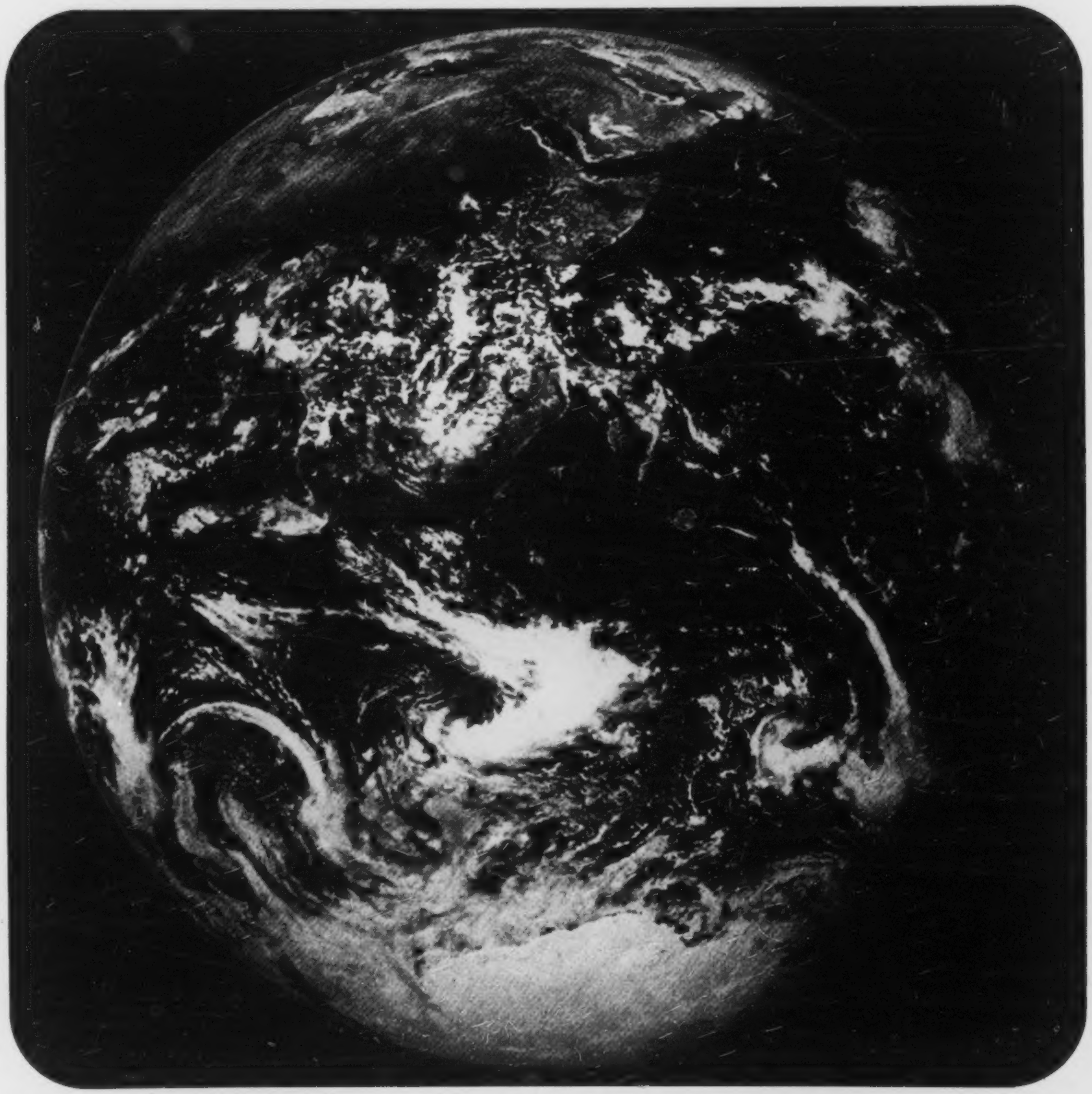

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Produkthaftpflicht und Risiken fuer den deutschen Markt

Product Liability Risks In the German Market

by Dr. Paul-Robert Wagner and Herbert Schilling
Members, Executive Board of Gerling Group of Insurance Companies

The steadily increasing volume of trade between the U.S. and the Federal Republic of Germany requires that those involved in German-American business activities share a mutual knowledge of their respective national legal systems. U.S. exports to Germany are on the rise, having increased by approximately 2.3 billion dollars over the years 1983-1985. This single financial statistic stresses the importance of German law, particularly German product liability law, to the U.S. business community. Until recently, American companies exporting to Germany did not consider German product liability law as a matter of any great concern. In the future, such an approach could become costly in view of recent developments in German law.

A combination of factors have caused German courts to grow more consumer-oriented in their individual decision-making process. Higher incomes, more leisure time, and a generally greater consciousness for safety have all had their effect. Special rules have been created which either lessen what a claimant must prove in a lawsuit or provide special treatment for certain products such as pharmaceuticals. On the whole, however, when compared with other systems, German product liability law fairly balances the interests of the consumer with those of the manufacturer.

Broad and expensive "fishing expeditions" during protracted pretrial discovery are unknown in German lawsuits.

Various Legal Aspects of German Product Liability

What is a product under German product liability law?

In general, any article, may for the purpose of triggering product liability legislation be considered a product under German law. For example, a chemical compound would be considered a product regardless of whether it was intended for industrial or consumer use.

Who is liable for damages?

Ultimately, liability for a product defect lies with its manufacturer, if the manufacturer is at fault. This also applies both to suppliers of raw materials and to manufacturers of component parts. With some qualifications, the manufacturer's representatives, his employees, distributors (including importers or exporters) and retailers are all subject to product liability law.

What is a defective product?

German law does not specifically define a defective product. The law has, however, developed certain classes of defects to which product liability law applies: design defects and manufacturing defects. Moreover, losses arising out of an alledged failure to instruct or warn may also lead to product liability.

On July 25, 1985 the Council of Ministers of the. . . EEC promulgated a "Product Liability Directive".

Who is protected?

German product liability law is available as a remedy to anyone who has suffered a loss as a result of a defective product. The claimant need not be a consumer. A company suffering fire damage caused by a defective product on its premises can sue either the manufacturer or the seller of the product.

What has the plaintiff to prove, and what are the defenses to a claim?

Under German law, the plaintiff is required to prove that the product caused the harm in question and that the defendant (manufacturer, supplier, retailer, etc.) was at fault. The burden of proving that the defendant caused the harm in question may be eased under certain circumstances so that plaintiff would only have to demonstrate facts which in the ordinary course of events would likely lead to the loss. Well-established law in Germany requires fault on the part of the defendant as a general precondition to liability. Unlike the law in most parts of the U.S., German product liability law is not based on a doctrine of "strict liability". Only within very specific product areas has the German legislature adopted a concept of liability without fault comparable to the U.S. concept of "strict liability". This is the case, for instance, in the civil aeronautic and nuclear energy sectors as well as for certain types of water pollution liability. "Strict liability" also exists elsewhere to a very limited extent fulfilling specific regulatory functions.

German product liability law is not based on a doctrine of "strict liability".

The "Product Liability Directive" raises the concept of "strict liability" for bodily injury and property damage to a general rule of law.

In 1978, a law dealing with pharmaceutical products was adopted applying "strict liability" doctrines to manufacturers. According to this law, drug manufacturers are strictly liable without fault for bodily injury up to 500,000 DM, – per person with a limit of 2,000,000 DM – applicable to each product. Manufacturers may establish a defense by demonstrating that the product was manufactured according to the "state of the art" existing at the time of manufacture and that the loss suffered was not reasonably foreseeable.

Since 1968, manufacturers in product liability suits have had the burden of proving that the defect was not the fault of the manufacturer once the plaintiff alleges the defect. The manufacturer's failure to meet his burden of proof results in a verdict for the plaintiff. The law was implemented by the courts to ease some of the difficult problems of proof confronting the claimant in a typical defective product's case. From a practical point of view, attempting to show the absence of fault on the part of the manufacturer requires a rather elaborate demonstration of the manufacturing process and the quality-control undertaken during the process. If the manufacturer does not present extensive records documenting quality control during the manufacturing process, the plaintiff will win. Comparative negligence on the part of the claimant may reduce, if not preclude, the manufacturer's liability.

. . .the German product liability scene. . .is rapidly changing.

Damages and Procedure

The amount of damages potentially recoverable by a claimant is of considerable importance to those encountering the German product liability system. Under German law a jury verdict of 125 million U.S. dollars, such as in the well known Californian "Ford Pinto" case, even when reduced to 3.5 million dollars by the trial judge, would not be possible in Germany. Punitive damages are not recoverable in Germany. Generally, all damages are carefully scrutinized throughout the legal proceedings. Damages must be specified and proved. Awards for pain and suffering are left to the judge's discretion. The German judicial philosophy that each day of one's life brings with it certain risks results often in much lower verdicts for pain and suffering than comparable cases in the U.S. Generally, compensation can be sought for bodily injury, property injury, economic losses resulting from the two – as well as for pain and suffering.

Of almost equal significance are the procedural aspects of a typical case. Unlike the U.S., juries are not called in German civil cases.

Complex factual situations charged with emotion and sympathy are left to a professional judge for decision. The problems of presenting a complex case to a lay jury and instructing the jury on law and damages do not exist in Germany.

American pre-trial discovery, wherein litigants are allowed to question one another under oath and to demand production of documents, is also unknown in Germany. Under German law, attorneys for the various parties to a lawsuit are not allowed to freely pose questions to one another or to third party witnesses. To do so without the supervision of the court would infringe upon the exclusivity of the German judiciary. Thus, evidence is only taken under the guidance of a judge during a trial which may consist of one or more court hearings. At trial the judge and various parties involved in the lawsuit examine witnesses. Broad and expensive "fishing expeditions" during protracted pre-trial discovery are unknown in German lawsuits. This is of importance in avoiding misuse of the cost-factor as an instrument of leverage during settlement negotiations which often run parallel to the phases of any lawsuit.

Also of great importance in limiting the misuse of litigation costs as a leveraging technique is the fact that court costs and attorney's fees are assessed against the losing party following a lawsuit in Germany. The party considering litigation in Germany must thus contemplate significant economic risk in initiating suit. This has the effect of discouraging some unjustified lawsuits. Moreover, contingent fees, where a plaintiff's attorney is paid a percentage of a recovery and nothing upon loss of the case, are illegal in Germany. Attorneys in Germany are paid according to rates laid down by the legislature. The lawyers for both sides are thus thought to have the same economic incentive to do their best thereby serving the mutual goal of a fair trial. "The poor man's key to the courthouse" is provided by the state funded system of legal aid.

The "Product Liability Directive" will have an important sociological impact, heightening both the expectations of all involved and increasing the number of claims.

EEC Directive to Change Germany Product Liability Law

On July 25, 1985 the Council of Ministers of the European Economic Community (EEC) promulgated a directive on the "Approximation of the Laws, Regulations and Administrative Provisions of the Member States Concerning Liability for Defective Products" ("Product Liability Directive"). By virtue of this action, as of July 30, 1988 the liability situation in Germany, as in the other 11 member states of the European Community will be changed. The vehicle for this change is the Treaty of Rome, the document upon which the European Community is founded.

. . .the German liability insurance market has a great deal of continuity.

Pursuant to the Treaty, "Directives" are issued by the Community's Council of Ministers. Member States are then required to bring their individual laws into harmony with the EEC "Directive".

The "Product Liability Directive" has been under debate for more than 10 years at various levels of the EEC in Brussels, Luxembourg, and Strasbourg. Much of the discussion has centered upon provisions to allow broad recovery under "strict liability". Further provisions of the "Product Liability Directive" to allow recovery for pain and suffering under "strict liability" principles have caused concern that this might impede economic development within the EEC. Political compromise has produced the "Product Liability Directive".

To what extent will the law be changed?

The "Product Liability Directive" raises the concept of "strict liability" for bodily injury and property damage to a general rule of law. As noted earlier, German law at present allows the manufacturer to bring forth evidence that he was not at fault. This defense mechanism will no longer be available once German law is brought into harmony with the EEC "Product Liability Directive".

Moreover, while the "Product Liability Directive" contains a so-called "state of the art" provision, whereby a manufacturer may defend his product by showing that its design conforms to industry standards, member states will have the option of deleting this section. Recognizing the detrimental effects that abolishing the "state of the art" defense would have on product innovation, Germany intends to adopt the defense into German law. At present, France, Belgium and Luxembourg do not plan to adopt the "state of the art" defense into their systems. Thus, German manufacturers exporting to these countries will be exposed to more stringent local rules. The liability risks in France, for instance, may in theory exceed that in some states of the U.S., where a lawsuit can still be defended on the basis that the product met or exceeded the "state of the art" existent at the time of its manufacture. This may raise the problem of forum-shopping. The judgements of French courts would generally be enforceable against manufacturers in Germany.

It is often asked whether the adoption of "strict liability" principles into German law will mark the beginning of a product liability crisis in Germany. The question is prompted by the fact that the U.S. problems began following the adoption of "strict liability" by U.S. courts during the 1960's. Although the German court system is without juries, contingent fee arrangements, and the mechanism of each side having to bear its own litigation costs, fears concerning potentially profound change on the liability scene are not premature. The trend is clear. The "Product Liability Directive" will have an important sociological impact, heightening both the expectations of all involved and increasing the number of claims.

. . . products produced either by U.S. subsidiaries in Germany or exported to Europe will inevitably be exposed to new concepts of law in as many jurisdictions.

The Economic Effects of German Product Liability Law

Throughout the German manufacturing industry and on all levels of product distribution, product liability risk is a significant factor. It adds to the ultimate cost of products and also presents difficult financial challenges with respect to the rules of accounting and auditing. Reserve allowances are, for instance, limited. Therefore insurance is a business necessity although it adds further to production costs.

Other economic effects of product liability risks often defy exact measurement. One such effect seems to be that, in an atmosphere of high product liability risk, manufacturers and designers may be less innovative. Neither the insurance nor the manufacturing industry can lose sight of these challenges or fail to see the ramifications of diverging tendencies. Effective risk management coupled with adequate and experienced insurance services are viable solutions to many of these concerns.

In Germany, product liability insurance is included in a general comprehensive liability policy. . .

Risk Management and Liability Insurance in Germany

Risk management and liability insurance may be of aid to American companies doing business in Germany. Just as an American business utilizes risk management for its products sold in the U.S., it should utilize risk management techniques in Germany in order to properly evaluate German product liability risks. The most important factors to be considered are:

– creation of liability-conscious marketing strategies at all management levels;

– avoidance of dangerous products or those which will predictably trigger multiple claims; and

– adherence to market and product planning based on safety rather than pure economic gain.

Awards for pain and suffering are left to the judge's discretion.

For this reason in particular, a Product Liability Working Group should be formed within the manufacturing company. This group should be responsible for the planning and refinement of safe products, the development of specific studies of products already on the market, product-recall strategies, and the documentation of all product liability related facts for the company. Continuous awareness in these areas can effectively reduce product-related injuries and product liability claims.

Adequate product liability insurance also plays an important role in any risk management strategy. In Germany, product liability insurance is included in a general comprehensive liability policy which is comparable to its U.S. counterpart, the CGL policy. A substantial difference between the two policies exists in the manner in which premiums are calculated. In Germany, companies are rated to product-related single ratings. Combined premium rates for bodily injury and property damage are also used in Germany. Premium calculations are based on the annual sales figures or the total payroll depending on the type of business insured.

Punitive damages are not recoverable in Germany.

The handling and proper defense of a liability claim in Germany is a major part of Germany insurance service. It is the insurer and not an external adjuster who handles the claims, thus forming a close relationship between insurer and insured which aids the defense of any product liability suit.

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Unlike the U.S., juries are not called in German civil cases.

The long-term business relationship in Germany between insurer and insured is partly due to the fact that liability policies have an automatic renewal clause and may not be cancelled during the policy period except in the event of a loss. Thus it can be said that the German liability insurance market has a great deal of continuity. In most instances policies are not negotiatd by or through a broker. Although recently brokers have been engaged to place specific "hard to find" covers for environmental, chemical, or pharmaceutical risks, insurers in Germany prefer to negotiate directly with their insureds. This is generally appreciated within the business community.

American companies with financial interests in Germany should acquaint themselves with German insurance services in order to avoid coverage between policies carried by the parent corporations and their subsidiaries. For this reason it is important to select a German liability insurer with international experience and which is staffed with highly qualified personnel. Since the EEC "Product Liability Directive" changes the law of product liability in all 12 member states, products produced either by U.S. subsidiaries in Germany or exported to Europe will inevitably be exposed to new concepts of law in as many jurisdictions. Clearly, only an experienced and established insurance group can be successful in this environment.

Summary:

While many American companies doing business within Germany may perhaps have considered the German product liability scene as less critical than the situation in the U.S., this situation is rapidly changing. Alterations both in the German and in the European product liability legal systems prompted by the EEC "Product Liability Directive" mandate careful consideration of the risks posed by the German and the European market. Although German legal procedure still allows the defendant manufacturer certain advantages in a German product liability lawsuit which may be unknown to the same defendant in America, the trend is toward "strict liability" without regard to fault. More intensified product-risk-management is mandated by the economic risk of German product liability. Adequate planning and attention to quality control in the design, manufacture and distribution of products made in Germany will reduce product liability risks. The experience and know-how offered by a competent risks insurer may prove valuable. ■

. . . in an atmosphere of high product liability risk, manufacturers and designers may be less innovative.

DEUTSCHE ZUSAMMENFASSUNG

Fuer US-amerikanische Firmen, die nach Deutschland exportieren oder dort investieren, hat die Bedeutung des deutschen Produkthaftpflichtrechts bisher im Vergleich mit der Haftpflichtsituation in den Vereinigten Staaten kaum eine Rolle gespielt. Diese Einstellung kann jedoch im Hinblick auf die Entwicklung des Produkthaftpflichtrechts inzwischen auch in Deutschland kostspielige Folgen haben.

Sozialpolitische Faktoren wie die Zunahme von Einkommen und Freizeit, sowie ein verstaerktes Sicherheitsbewusstsein der Verbraucher, haben ihren Niederschlag auch in der Entwicklung des Produkthaftpflichtrechts gefunden. Die deutsche Rechtsprechung laesst den Verbraucherschutz-Gedanken verstaerkt in ihre Entscheidungen einfliessen und hat mit der Umkehr der Beweislast die Durchsetzung von Produkthaftpflichtanspruechen erheblich erleichtert. Einzelne gesetzliche Regelungen, wie z.B. die Gefaehrdungshaftung im Pharma-Bereich, haben ebenfalls dazu gefuehrt, dass der Hersteller heute in Deutschland generell einer verschaerften Haftung unterliegt. Dennoch beruecksichtigt das deutsche Haftpflichtsystem, verglichen mit anderen, die Interessen der Verbraucher und der Unternehmer in einem verhaeltnismaessig ausgewogenen Mass.

Die Haftung fuer einen Schaden, der durch ein Produkt verursacht wurde, kann neben dem Hersteller unter Umstaenden auch den Zulieferer, den Haendler, den Importeur oder den Exporteur treffen. Im Rahmen der Produkthaftpflicht wird zwischen verschiedenen Fehlergruppen entsprechend ihrer Ursache unterschieden: Konstruktions- und Entwicklungsfehler, Produktionsfehler und Informations- sowie Produktbeobachtungsfehler.

Produkthaftpflichtansprueche koennen in Deutschland von jedem Geschaedigten geltend gemacht werden. Verschulden ist eine der Anspruchsvoraussetzungen. Dabei ist der Anspruchsteller von der Verpflichtung befreit, ein Verschulden des Anspruchsgegners nachzuweisen. Der Hersteller muss vielmehr beweisen, dass ihn hinsichtlich des Produktfehlers, der zu dem Schaden fuehrte, kein Verschulden trifft (sogenannte Beweislastumkehr). Diese Rechtslage bedeutet wirtschaftlich unter anderem, dass der Dokumentation von Qualitaetssicherungsmassnahmen bei der Herstellung von Produkten ein hoher Stellenwert zukommt.

Im Unterschied zum US-amerikanischen Verfahrensrecht kennt der deutsche Zivilprozess weder das sogenannte pre-trial-discovery-Verfahren—ein vorprozessuales Beweisermittlungsverfahren durch die Prozessparteien—noch die Besetzung der Gerichte mit Laienrichtern in Form eines Geschworenen-Gerichtes. Das deutsche Recht begrenzt die Entschaedigungen auf materielle und immaterielle (Schmerzensgeld-) Schaeden. Weitergehende Entschaedigungen, etwa mit Strafcharakter, wie die in den USA fallweise zugesprochenen "punitive damages", sind unbekannt. Anwaltshonorare richten sich nach gesetzlichen Gebuehrenordnungen fuer Klaegeranwaelte und fuer Abwehranwaelte. Erfolgshonorare sind in Deutschland standeswidrig. Diese und weitere, zum Teil erhebliche Unterschiede zwischen dem deutschen und dem amerikanischen Produkthaftpflichtrecht bieten eine gewisse Gewaehr dafuer, dass in Deutschland nicht derart exorbitante Schadenersatzansprueche durchsetzbar sind wie in den Vereinigten Staaten.

Die Verabschiedung der EG-Produkthaftpflichtrichtlinie aus dem Jahre 1985, welche nach der Umsetzung in den EG-Mitgliedsstaaten auch in Deutschland ab dem 30.07.1988 eine gesetzliche Gefaehrdungshaftung einfuehrt, hat erneut die Diskussion darueber entfacht, ob zukuenftig auch in Europa mit einer "Haftpflichtkrise" zu rechnen ist. Ein wichtiger Diskussionspunkt ist die von der Richtlinie vorgesehene Option, Entwicklungsrisiken in die Gefaehrdungshaftung mit einzubeziehen. Nach Informationen zur Zeit des Verfassens dieser Abhandlung planen Frankreich, Belgien und Luxemburg eine derartige Haftungsverschaerfung. Demgegenueber wird Deutschland die Hersteller wahrscheinlich nicht einer Haftung auch fuer Entwicklungsrisiken unterwerfen.

Die zunehmende Gewichtung der Produkthaftkpflichtrisiken in Deutschland fuehrt zu der Notwendigkeit fuer jeden Hersteller von Produkten, das Produkthaftpflichtrisiko kalkulatorisch in die Kostenplanung mit einzubeziehen. Dazu ist sowohl ein innerbetrieblich ausgefeiltes risk-management-System erforderlich als auch die Zusammenarbeit mit einem auf diesem Gebiet erfahrenen Versicherer. Amerikanische Unternehmen, die in Deutschland Produkte herstellen oder vertreiben, sollten sich dieser Situation bewusst sein und der Tatsache, dass deutsche Versicherer, insbesondere im Bereich der Anspruchsabwehr, anders arbeiten als amerikanische Versicherungen. So werden Schadenersatzansprueche regelmaessig im Hause des Versicherers bearbeitet und nicht von externen Schadenabwicklern. Vertraege werden in der Regel langfristig mit automatischen Verlaengerungsklauseln abgeschlossen. Dadurch wird eine Kontinuitaet der Geschaeftsverbindungen zwischen Versicherer und Versicherungsnehmer gewaehrleistet. In diese Philosophie fuegt sich auch der Grundsatz ein, dass der Versicherer mit seinem Kunden direkt verhandelt. Die in Amerika durchaus uebliche Beauftragung von Maklern hat sich auf dem deutschen Markt bisher nur in wenigen Bereichen entwickelt. Hinsichtlich des Deckungsumfanges und der Risikobewertung bestehen ebenfalls Unterschiede zwischen dem deutschen und dem US-amerikanischen Versicherungssystem.

Amerikanische Unternehmen, die in Deutschland investieren, muessen sich deshalb darauf einstellen, dass sie in Deutschland wesentlich andere Haftpflicht- und Versicherungskonstellationen vorfinden als in ihrem Heimatland. Es ist deshalb zu empfehlen, fuer ihre deutschen Produkthaftpflichtrisiken einen international orientierten europaeischen Versicherer einzuschalten, der vor Ort in der Lage ist, die Interessen des amerikanischen Herstellers von Produkten unter den dargestellten Gesichtspunkten professionell zu vertreten. ■

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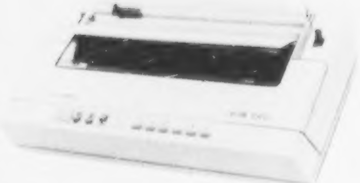

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Produkthaftpflicht und Prozessfuehrung in den USA: Eine Uebersicht

Product Liability Law and Litigation in the United States: An Overview

by Bud G. Holman
Attorney at Law
Kelly, Drye and Warren
New York, NY

Manufacturers, designers, distributors, dealers, retailers and others who sell products in the U.S. most unfortunately (for everyone, except the lawyers) brace themselves for increased exposure in personal injury litigation. Contingency fees for American lawyers and ever increasing jury verdicts in such actions have fueled a growing litigiousness in American society. Expanding concepts of strict product liability law add attractiveness to plaintiffs' lawyers and dangers for defendants. An endless market of readily available "expert witnesses" and expanding evidentiary rules further enlarge the significant litigation risk to anyone involved in the production or sale of a product or its design.

Product liability losses have been primary cause of the recent insurance crisis and of the increasing unavailability of reinsurance. At the root of the problem are expanding theories of liability, particularly strict product liability, and more liberal evidentiary laws.

The Plaintiff's Case – "Defect"

In general, a plaintiff need only show that a product is defective and that the plaintiff suffered injury or property damage as a result. Once these two elements are shown, the manufacturer is strictly liable. That is, there is no need for a showing of negligence. The plaintiff is not required to impugn the conduct of the maker; rather, he impugns the product as designed or manufactured and sold.

The definition of "defect" varies from state-to-state, but in most states a product is "defective" if it fails to act in accordance with the reasonable consumer-expectations for such a product. Other states still require a product to be not only defective but "unreasonably dangerous" in order for the manufacturer to be found liable. Obviously, the "unreasonably dangerous" requirement offers a manufacturer a better chance.

Certain major states – Florida is a good example – have maintained the unreasonably dangerous requirement. However many other states, including New York, California and New Jersey, have done away with this requirement and look to the consumer expectation test. Use of consumer expectation as definition of defect affords the plaintiff the chance to argue that most anything falls within the scope of this test since no one "expects" to be injured by a product.

Strict products liability is somewhat recent in development. Under the early common law, a claimant seeking recovery for personal injuries. . .was limited to a suit for breach of warranty. . .

A defect may be found in the design as well as the manufacture of a product. In addition to those cases involving a true defect in a product – such as stress fractures in components or impurities in pharmaceuticals – there are countless cases involving design defects. Some courts utilize the same "consumer expectation" test in design defect cases, but other courts use a "danger – utility" test. Under this approach a product is defective as designed if, but only if, the magnitude of the danger outweighs the utility of the product. Many a manufacturer (or designer) finds itself facing a plaintiff claiming "you could have and should have made it this way". A plaintiff will always find an available "expert". Many cases are based upon an alleged inadequate warning or an alleged failure to warn. Another large group of cases involve equipment where the plaintiff claims that a guard or other protection could have been incorporated into the product and would have prevented the injury.

Many cases are based upon an alleged inadequate warning or an alleged failure to warn.

. . . three notoriously high verdict areas are Dade County, Florida; Bronx County, New York; and Los Angeles County, California.

Causation

In addition to having to show a "defect", the plaintiff must then show a causal relation between the defect and the plaintiff's injuries or other damages. Again, definitions of legal causation differ from state to state. Generally, legal proximate causation requires something more than a showing that "but for" the defect the accident or injuries would not have occurred. However, certain states – Arizona is an example – adopt a "but for" test. Many states require that in order for a defect to be a legal cause of loss, injury or damage, it must be a "substantial causative factor" in bringing about such loss, injury or damages. Such a test obviously gives the defendant much more ammunition than a "but for" test.

Unfortunately, the "state of art defense" varies greatly from state-to-state.

Generally, the U.S. common law requires that the claimed injurious effect be foreseeable as a part of plaintiff's burden of establishing a causal connection between the claimed act or neglect of the defendant and the injury. If causation is remote, plaintiff may not succeed. It is within the province of the judge, even in jury cases, to determine whether or not there are issues of fact for the jury to decide under applicable state law. Once the judge determines that there are issues of fact for the jury, the judge instructs the jury as to what facts must be proved under applicable law. As noted, the standard instructions vary greatly from state-to-state with a "but for" type instruction being the most plaintiff oriented and a "substantial causative factor" instruction being one of the best for the defense. If a plaintiff establishes the existence of a defect, causation and damages, his case is made. Plaintiff need not show that the defect was the result of negligence or other culpable conduct on the part of the manufacturer, designer or seller – hence, the term "strict liability".

In certain products cases, there is substantial overlap between negligence theory and strict liability theory.

Some History

Strict products liability is somewhat recent in development. Under the early common law, a claimant seeking recovery for personal injuries from a defective product was limited to a suit for breach of warranty which required plaintiff to be in privity with the defendant. Following the famous 1916 MacPherson v. Buick Motor Co. case, the privity requirement was abandoned and the general negligence rules applied. To prove negligence, plaintiff has to establish a duty breached by defendant which was the proximate cause of plaintiff's injury. Under a negligence theory, plaintiff was often hard put to establish liability from manufacturing processes.

The development of strict liability was a response to help plaintiffs. In essence, it shifted the burden of proof, placing it on the manufacturer. It was simply a societal cost shift device. Plaintiffs only needed to show a defect.

Probably more often than not, a plaintiff is injured by a product because he misused it.

The theory was that the manufacturer was in a much better position to prove that the product was not defective and to spread the cost of the injury through insurance and the price of his product.

Overlapping of Strict Liability and Negligence

In certain products cases, there is substantial overlap between negligence theory and strict liability theory. There are numerous cases where plaintiffs contend that a manufacturer should have warned against a particular use that turned out to have injurious consequences. In such cases, the manufacturer will either allege that the danger from the particular use involved was so obvious that there was no need to warn against it or that the particular use was so unforseeable that there was no obligation to warn against it. The question of foreseeability of an unintended use determines whether there was a duty to warn against it. The foreseeability question, analytically, is relevant to the question of defect. However, the question itself is much akin to a standard negligence inquiry since under the common law it is the foreseeability of potential injury which gives rise to a *duty* of due care. The evidence will be very much the same. Needless to say what the defendant company knew and the information available to it at the time it put the product and the warning into the marketplace will be highly relevant in a strict liability claim, just as it would be in a standard negligence case.

Generally, the U.S. common law requires that the claimed injurious effect be foreseeable. . .

. . .removing a case to the federal court or getting a multi-district litigation transferred and consolidated can save significant sums.

Unavoidably Unsafe Products

Warning cases, in general, constitute somewhat of a unique area of products liability law. There are numerous cases, mostly pharmaceutical cases, involving what are termed "unavoidably unsafe products". These are products which based upon the current state of technology carry with them certain adverse side-effects which simply cannot be avoided, at least under current technology. It is not unreasonable to market such products, and they are not unreasonably dangerous, so long as they are accompanied by adequate warnings of the potential side-effects. Thus, such products may be flawlessly made but become defective by reason of their unavoidable consequences if they are not accompanied by an adequate warning.

Unfortunately, the "state of art defense" varies greatly from state-to-state.

Probably more often than not, a plaintiff is injured by a product because he misused it.

Pharmaceuticals involve another unique issue. Most pharmaceuticals are distributed only by licensed physicians. Accordingly, the general law is that the duty to warn runs only to the physician or "learned intermediary". There are exceptions to this general rule. The first exception occurs where FDA regulations require a warning directly to the consumer, such as with oral contraceptives. The other major exception, developed from the polio vaccine cases, states that when a manufacturer has reason to know that a particular product will be distributed on a mass, clinic-like scale, in which there necessarily is not the intervention of a learned intermediary, the manufacturer has a duty to warn such consumers directly. Needless to say, the task of properly preparing and propagating warnings to a large and diverse mass of users takes some considerable care.

In learned intermediary warning cases, plaintiffs often find causation a difficult element to prove. In essence, plaintiff must show that had the manufacturer "properly and adequately" warned the prescribing physician, he would not have prescribed or he would have prescribed something else, and, thus, the plaintiff would not have received the vaccine. Most vaccines are mandated by state public health laws and, thus, it is difficult for a plaintiff seriously to contend that he would not have been vaccinated had he or his physician known facts which al-

We start with the cards stacked against a large defendant. . .and even more so, a foreign defendant. . .

legedly should have been contained in a warning. Moreover, it is often difficult to get a physician to testify that he would not have vaccinated.

Defenses – Federal Regulations and State of the Art

In defense of a products liability action, we will seek to establish that the means and methods of manufacture are strictly controlled by federal regulations. Often the federal regulations pertaining to manufacture of particular products contain detailed guidelines and good manufacturing practices and we can show that the contents of our warnings were, essentially, dictated by federal regulations.

. . . more and more product liability cases to go to the jury for decision, and juries are generally quite sympathetic to an injured plaintiff.

Furthermore, with respect to pharmaceuticals, the Advisory Committee on Immunization Practices, which is a subdivision of the Centers for Disease Control, will promulgate, in the Morbidity and Mortality Weekly Reporter, suggested contents of warnings and package inserts based upon statistical data received by both the Centers for Disease Control and the National Institutes of Health.

Such evidence has often proven quite favorable to the defense, but it does not constitute an absolute defense. Rather, it is deemed to be relevant to the question of lack of defect or lack of negligence. On the other hand, noncompliance with regulations or statutes may be evidence of defect or negligence.

. . . non-compliance with regulations or statutes may be evidence of defect or negligence.

Additionally, for a manufacturer, we will often establish that at the time its product was manufactured or designed, it was based upon the current state of technology existing at the time the product left the hands of the manufacturer. Obviously, again, such evidence carries much weight for the defense. It is fundamentally unfair to hold a manufacturer to a standard based upon knowledge existing subsequent to the time it placed a product into the stream of commerce.

STEUERBERATUNG UND WIRTSCHAFTSPRÜFUNG IST UNSER GESCHÄFT

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Unfortunately, the "state of art defense" varies greatly from state-to-state. In some states, for example, Arizona, if a manufacturer shows that a product was made or designed in accordance with the state of the art at the time, it is a complete defense. However, in most states, manufacture in accordance with the state of the art and technology is merely evidence of lack of defect or non-existence of negligence. And in some states, state of the art is not even deemed relevant. However, where the feasibility of a safer design is the issue, most courts hold that this must be determined with reference to the state of the art at the time.

Defenses – Comparative Negligence and Unintended Use

Probably more often than not, a plaintiff is injured by a product because he misused it. In such a case, we will show that the product was used in a manner for which it was not intended and that the plaintiff disobeyed instructions or warnings regarding the proper use of the product. Unintended use and misuse are, essentially, an expression of comparative negligence. On analysis, comparative negligence is not available to defend against a strict liability claim, but it can almost always be made a part of the defense because strict liability claims are always coupled with a cause of action for negligence. Accordingly, plaintiff's own degree of negligence can always be made important and the jury's common sense appealed to. With respect to the negligence count, the comparative negligence of the plaintiff will not be an absolute defense; rather, the degree or percentage of negligence of which the jury finds the plaintiff guilty will work to reduce the damages proportionately. On a strict liability count, we can show misuse to be the proximate cause of the plaintiff's injuries which will then completely exonerate the manufacturer. The key element is to depict the misuse as unforeseeable.

In states that have adopted a comprehensive "comparative fault" statute – where selling a defective product is defined as fault – the defenses available to us are the same as in a negligence case. Where there is no such statute or rule of decision, we go for a showing of 1) misuse that was not reasonably foreseeable to the defendant and 2) voluntary and unreasonable use with knowledge of the defective condition and appreciation of its danger by the plaintiff.

Practicalities of Personal Injury Litigation

Relaxed rules and changing judicial attitudes are allowing more and more product liability cases to go to the jury for decision, and juries are generally quite sympathetic to an injured plaintiff. There has also been a proliferation of expert witnesses available to testify in personal injury litigation. The evidentiary rules pertaining to competency of expert witnesses are broad and must be deftly dealt with by trial counsel because our judges will rarely strike "expert" testimony, preferring rather to permit the parties to argue credentials on summation, which goes to the weight of the testimony.

Use of consumer expectation as definition of defect affords the plaintiff the chance to argue that most anything falls within the scope of this test . . .

Generally, an expert is competent to give opinion testimony if he knows more than the average lay person in a particular area by reason of his knowledge, skill, training or ex-

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Settlement, so often is the wisest course. . .

perience and his testimony would help the jury understand the issues in the case. Additionally, it is now generally held that an expert may testify as to the ultimate issues to be decided by the trier of fact. Thus, an expert can opine that a product was defective or that a manufacturer fell below the standard of care and was negligent. Typically, the defense will have to counter this with expert testimony of its own, and the case turns into a battle of the experts for the jury to decide.

It is not surprising that juries tend to be plaintiff oriented. After all, the parties stack up as an injured everyday person against a large corporation or, worse still, a foreign corporation, and juries will generally assume insurance coverage. This is not to say that trial counsel cannot obtain defense verdicts, but the humanistic tendency works to favor the plaintiff and the most likely reason for this is sympathy. There are a number of devices that can counter this. Similarly, there are visual aids and other means available to the persuasion process in dealing with juries. We start with the cards stacked against a large defendant, however, and, even more so, a foreign defendant, so that the danger in product liability litigation in the U.S. cannot be minimized.

It is not surprising that juries tend to be plaintiff oriented.

Jury verdicts also vary greatly from geographic area to area. Generally, an older male panel of businessmen or employed middle class blue collar workers is more likely to reach a dispassionate result. On the other hand, there tends to be a correlation between less responsible verdicts and area, urban or rural, where there are many jurors underemployed or otherwise economically deprived. For example, three notoriously high verdict areas are Dade County, Florida; Bronx County, New York; and Los Angeles County, California.

Because of this, many attorneys deliberately select high verdict areas in which to bring the suit. Accordingly, a change of venue to a more responsible verdict area can be important for the defendant. Depending upon the transferee forum, a change of venue can have a substantial effect on the value of a case. So, too, removing a case to the federal court or getting a multi-district litigation transferred and consolidated can save significant sums.

The doctrine of *forum non conveniens* is another option available to product liability defendants. On the national level, *forum non conveniens* may be applied by the courts of a particular jurisdiction when the witnesses and the evidence are elsewhere. The forum state cannot transfer a case to another state, and, so, the remedy is dismissal on the grounds of *forum non conveniens;* the plaintiff presumably to refile in the more convenient jurisdiction.

On an international level, the expansive theories of product liability in the U.S. make it an attractive forum for international products litigation. Such cases will, for the most part, be filed in the United States' federal district courts. If such a case is filed in a state court, a defendant may consider removing the action to the federal courts where a motion to dismiss on the grounds of *forum non conveniens* may be made. If the action is substantially connected with a foreign country, the court may be convinced to dismiss the action under the doctrine. Such a dismissal can reduce the amount of a claim and help achieve an earlier settlement which, in itself, can be a substantial savings in the cost of litigating.

Settlement, often, is the wisest course. But experience has taught, however, that settlement comes best when the defendant is prepared for litigation. For the better prepared company, this includes installation of procedures and practices, before a claim is made or a lawsuit begun, designed to prevent claims or limit their dimension. The task is not easy, but in the current U.S. products liability environment, hostile as it is to a corporate defendant, such procedures and practices are certainly prudent. ■

DEUTSCHE ZUSAMMENFASSUNG

Produzenten, Lieferanten und Personen, die mit der Verteilung von Waren befasst sind, sehen sich in zunehmendem Masse Produkthaftungsklagen in den Vereinigten Staaten ausgesetzt. Schuld daran sind die Erfolgshonorare von Rechtsanwaelten, sowie die Hoehe der von Jurys festgesetzten Schadensersatzsummen, die einen Anreiz fuer Klageerhebungen darstellen. Hinzu kommt, dass es fuer Klaeger zunehmend leichter geworden ist, die Anspruchsgrundlagen darzulegen. Es braucht im Prinzip nur dargetan zu werden, dass das fragliche Produkt fehlerhaft und der Produktfehler fuer den Schaden ursaechlich war.

Der Begriff des Produktmangels ist in den einzelnen Bundesstaaten verschieden. In den meisten Staaten wird ein Gegenstand dann als mangelhaft angesehen, wenn er nicht der berechtigten Konsumentenerwartung entspricht. In anderen Staaten kommt es darueber hinaus noch darauf an, ob der fehlerbehaftete Gegenstand in einem unzumutbaren Masse gefaehrlich ist. Bei den Produktfehlern kann es sich sowohl um Konstruktions- wie auch um Produktionsfehler handeln. Der Produktfehler muss fuer den Schaden ursaechlich sein. Waehrend es in einigen Bundesstaaten darauf ankommt, dass der Fehler ein nicht wegzudenkender Faktor fuer

den Schadenseintritt ist, verlangen die Gerichte anderer Staaten, dass der Produktfehler eine wesentliche Ursache fuer den Schaden darstellt.

Die Anspruchsgrundlagen fuer Produkthaftungsklagen sind staendig erweitert worden. Waehrend Klaeger frueher ihre Klage nur auf die Grundsaetze der vertraglichen Garantiehaftung stuetzen konnten, wurde mit dem 1916 entschiedenen Fall MacPherson gegen Buick Motor Co. die Anspruchsgrundlage zu einer vertragsunabhaengigen Verschuldenshaftung und spaeter dann zu einer auch vom Verschulden unabhaengigen Haftung ausgeweitet. Zwischen der Verschuldenshaftung und der allgemeinen Gefaehrdungshaftung gibt es Ueberschneidungen, und Klagen werden ueblicherweise auf beide Anspruchsgrundlagen gestuetzt.

Eine Vielzahl von Produkthaftungsfaellen betreffen unterlassene und unzureichende Warnungen in bezug auf Nebenwirkungen von Medikamenten bzw. Schaeden bei Fehlgebrauch von Gegenstaenden.

Auch im Bereich der Einwendungen gegen Produkthaftungsansprueche gibt es einzelstaatliche Unterschiede. Die Beachtung von staatlichen Normen und Standards ist fuer Produzenten oft hilfreich, stellt aber keine absolute Einwendung dar. Der Einwand des Produzenten, er habe die zur Zeit der Herstellung geltenden Regeln der Wissenschaft und Technik beachtet (man spricht in diesem Zusammenhang von der "state of the art defense"), hilft dem Hersteller nicht in jedem Bundesstaat. Dasselbe laesst sich vom Einwand des Mitverschuldens und der Risikouebernahme sagen. Die Unterschiede zwischen den Rechten der einzelnen Bundesstaaten verlocken anhaengig zu machen, wo mit dem fuer den Klaeger guenstigsten Ergebnis zu rechnen ist. Bei der Wahl des Prozessgerichts spielt dabei sowohl das jeweils anzuwendende materielle Recht wie auch das Prozess- und Beweisrecht—hier geht es insbesondere um die Zulaessigkeit des Sachverstaendigenbeweises-eine Rolle.

Jury-Gerichte, die ueber die im Prozess auftretenden Tatsachenfragen zu entscheiden haben, sind im allgemeinen konsumentenfreundlich. Zum Teil gibt es geographisch bedingte Unterschiede. Die Schadensersatzverurteilungen in Dade County, Florida, Bronx County, New York und Los Angeles in Kalifornien fallen erfahrungsgemaess besonders hoch aus. Amerikanische Gerichte haben eine sehr weitgehende Gerichtshoheit. Auf Grund der Doktrin von "forum non conveniens" kann das Gericht die Durchfuehrung eines Verfahrens dann ablehnen, wenn es fuer den Prozess einen geeigneteren Gerichtsstand gibt—das ist z.B. der Fall, wenn die ueberwiegende Zahl der Zeugen in einem anderen Gerichtsbezirk ansaessig ist.

Oft ist eine vergleichsweise Regelung die vernuenftigste Methode der Streitbeilegung. Es hat sich gezeigt, dass sich ein befriedigender Vergleich meist dann erzielen liess, wenn der Beklagte fuer den Prozess gut geruestet war. ■

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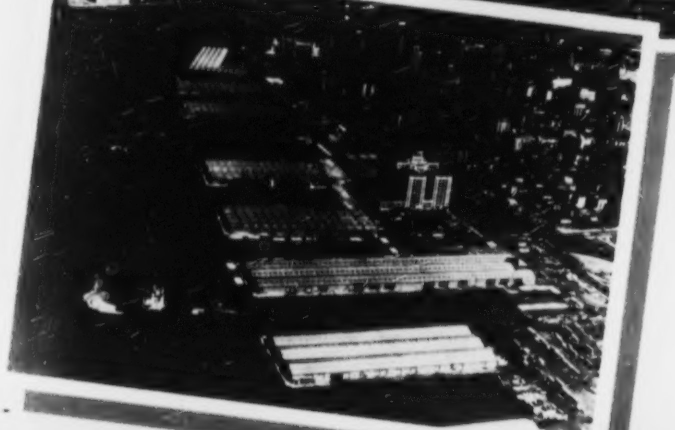

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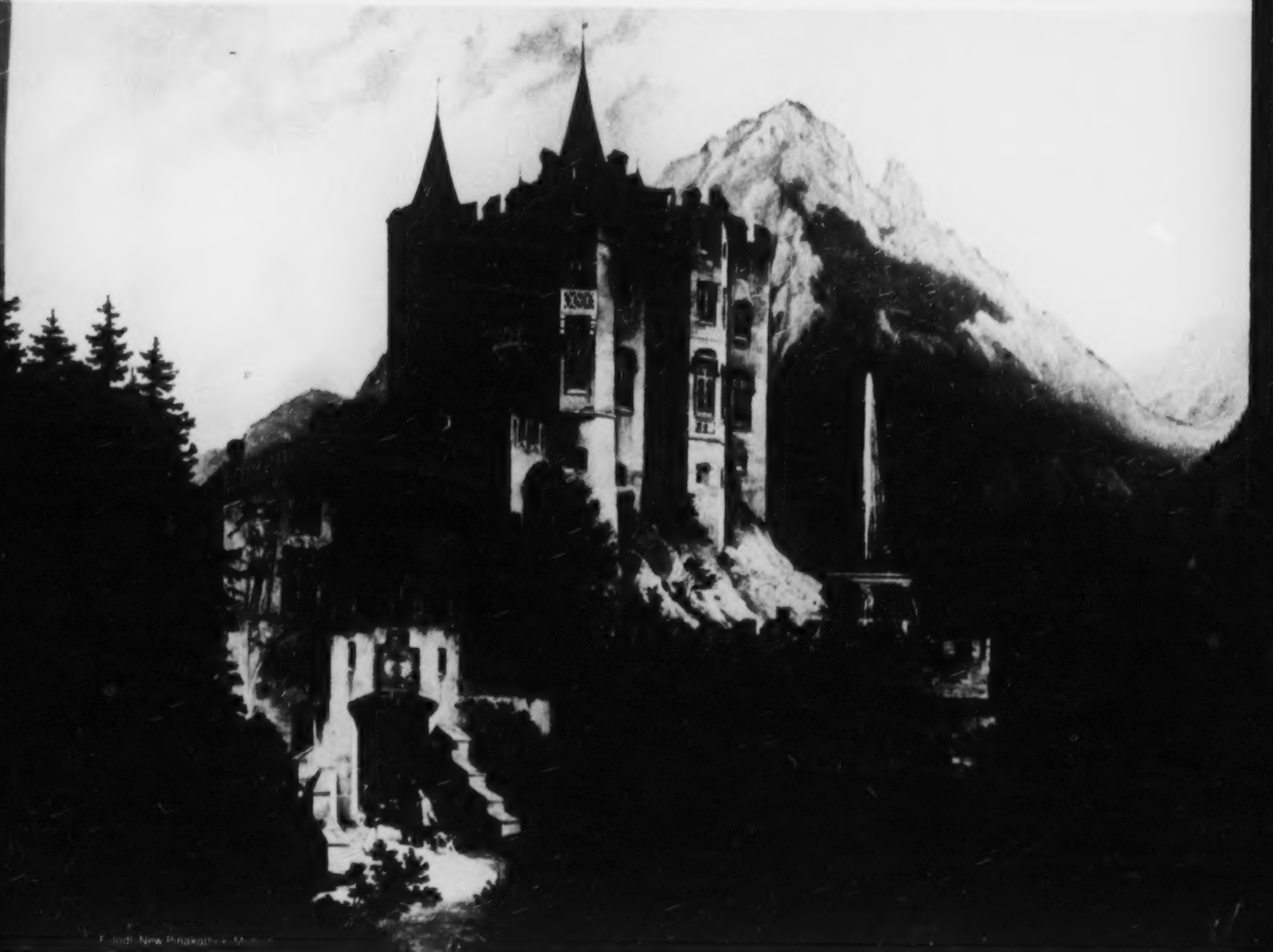

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Investment Opportunity in Bavaria

by Franz Josef Strauss
Governor of the State
of Bavaria

When our American friends think of Germany, most of them are reminded of the Bavarian Alps, Lake Constance and the Danube, Bavarian culture, and Bavaria's monasteries and castles. Many remember with pleasure Munich's Oktoberfest and Carnival, the wines of Franconia, the Bavarian lifestyle and the many religious and secular festivals, which are based on a virtually inexhaustible tradition.

We have always made great efforts to maintain Bavaria's charm and its quality of life, which so many people remember. We know that our countryside, our cultural inheritance and our traditions are precious assets which must not be carelessly squandered. We consider it our duty not only to provide future generations with job opportunities, but also to bequeath them a Lebensraum and an unspoiled environment, so that they can be proud of their homeland and will not curse their ancestors for having pillaged both nature and the natural foundations of life.

...the growth rate of the Bavarian economy has been substantially higher than that of the Federal Republic of Germany as a whole.

To us, conservatism means the preservation of proven worth combined with receptivity to new ideas. This is why we are exerting ourselves to maintain the character of our homeland. It is also why we have always looked toward the future and why we have succeeded in converting a region that once consisted of farmland into a modern industrial state. That state has become the number one target for domestic and foreign companies making investments in the Federal Republic of Germany.

Today many future-oriented industries have their homes in Bavaria. They are being joined by other businesses seeking a location close to our dynamic existing companies and an opportunity to cooperate with Bavaria's universities and other scientific institutions.

The German's magazine GEO, comparable to the National Geographic puts it succinctly: "Progress speaks with a Bavarian accent". A few months ago, at the Davos Seminar which is also well known in the U.S.A., I called the attention of an international audience of executives to five areas which illustrate the efficiency and progressive orientation of Bavarian industry:

1) The successes of the Airbus program and the mission of Spacelab D-1 are the result of

In Munich's center: Marienplatz and the Rathaus.

BMW's general headquarters in Bavaria.

the systematic development of Bavaria's aviation and aerospace industry since the mid-60's. Today over half the German capacity in this industry is located in Bavaria.

2) Almost half of all the semiconductors produced in the Federal Republic of Germany are manufactured in Bavaria.

3) A Bavarian company produces 40% of all the hyperpure silicon sold on the world market.

4) The electricial and electronics industry, particularly in the areas of data processing, communications, instrumentation and controls, and electronic components has become the key industry in Bavaria: 17.3% of all industrial employees work in this field.

5) Besides the manufacturers of hardware, 40% of the German software firms are located in Bavaria.

. . . the efficient Bavarian educational system is proving to be the best investment in the future.

Sound Industrial Policy

The Bavarian Government's sound industrial policy, based on the principles of social market economy, has made sure that our industry – particularly small and medium-sized firms – would be able to keep up with technological progress and new developments.

In Bavaria, Siemens' "Think Factory" is a bastion of top technology.

Such well-known companies as BMW, MAN, Kugelfischer, Rode und Schwarz, and Diehl have been joined by new firms, including Messerschmidt-Boelkow-Blohm, units of Motoren-und-Turbinen-Union, Siemens, Kraftwerk Union and Nixdorf. Major American and Japanese groups have recently established companies in Bavaria in recognition of the unique economic dynamism generated in this area.

It is an acknowledged fact that for many years the growth rate of the Bavarian economy has been substantially higher than that of the Federal Republic of Germany as a whole. Our State is known for its industrial policy, which supports a market economy, free of ideological pressure and favorable to business enterprise.

. . .we have succeeded in converting a region that once consisted of farmland into a modern industrial state.

Speaking at the inauguration of his Munich plant before his regrettably early death, Heinz Nixdorf, the computer pioneer, gave three main reasons for his choice of this location:

1. Bavaria's educational system.
2. Its excellent transportation network.
3. Its political stability.

First, the efficient Bavarian eductional system is proving to be the best investment in the future. We have always attached great importance to maintaining Bavarian academic instruction, vocational training, basic and continuing scientific education and university research on a high level, in order to meet the requirements of modern technologies and new developments. Today the faculties of our universities include not only prominent scientists, but also engineers with first-class university training and specialists who possess both the technical and mental resources and the versatility required for new technologies and processes.

. . . Bavaria is doing all it can to eliminate the existing deficiencies in its transportation systems.

Second, the Free State of Bavaria is doing all it can to eliminate the existing deficiencies in its transportation systems. The completion of the Rhine-Danube Canal is being energetically forwarded, and the Munich II Airport will be opened in 1991. As Munich II develops into a hub for international air traffic on a par with Zurich and Frankfurt, it will provide further encouragement to industrial and service companies to locate in this region. Lufthansa will establish a major aircraft maintenance facility at Munich II, as well as a second German air freight center. This airport will serve as the gate to the Mediterranean, the Middle East and the Orient.

. . .the efficient Bavarian educational system is proving to be the best investment in the future.

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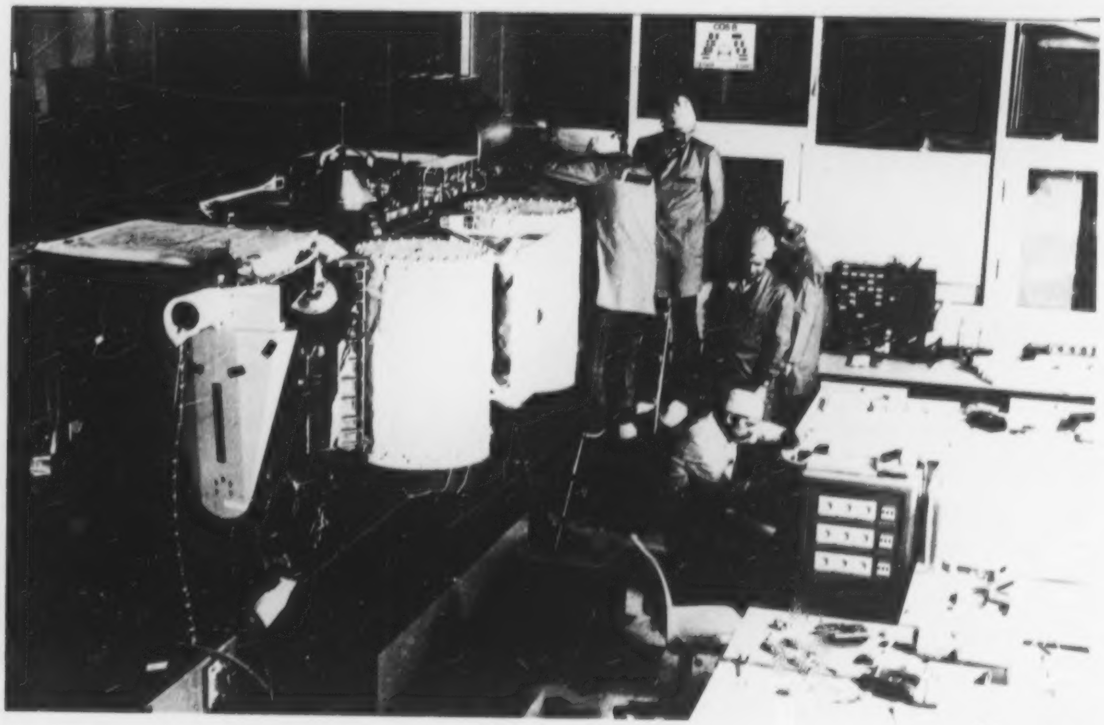

Flight unit of MBB's Shuttle Pallet Satellite.

Third, there is another important element in Bavaria's success. The Christlich-Soziale Union, the major political party of Bavaria, has determined from the very beginning the course which the State would take. The CSU was and is the reliable political force which:

1) guarantees stability and progress

2) takes a firm stand for solidarity and social justice

3) works to safeguard a libertarian constitutional state and a parliamentary democracy in the domestic sphere

4) pursues a realistically pacific policy to ensure peace and freedom, in close cooperation with the free countries of the West in the Atlantic Alliance. ■

DEUTSCHE ZUSAMMENFASSUNG

Wenn unsere amerikanischen Freunde an Deutschland denken, dann kommen den meisten von ihnen die bayerischen Alpen, der Bodensee und die Donau, die bayerische Kultur, Bayerns Kloester und Schloesser in den Sinn. Viele erinnern sich mit Vergnuegen an das Muenchner Oktoberfest, den Muenchner Fasching, den fraenkischen Wein, die bayerische Lebensart und die vielen kirchlichen und weltlichen Feste, die auf einer geradezu unerschoepflichen Tradition beruhen.

Wir trachten danach, den Charakter unserer Heimat zu erhalten; wir haben den Blick aber auch in die Zukunft gerichtet. Darum ist es uns auch gelungen, aus dem einstigen Agrarland einen modernen Industriestaat zu machen, der fuer in- und auslaendische Betriebe zum Investitionsland Nummer 1 in der Bundesrepublik Deutschland geworden ist. Heute sind wesentliche Zukunftsindustrien in Bayern zu Hause, und weitere Betriebe gesellen sich hinzu.

Folgende Industriezweige beweisen, wie modern Bayerns Wirtschaft ausgerichtet ist:

1. Die Erfolge des Airbus-Programms und die Weltraummission von Spacelab D 1 sind das Ergebnis eines seit Mitte der sechziger Jahre konsequent betriebenen Aufbaus der Luft- und Raumfahrtindustrie in Bayern. Heute ist mehr als die Haelfte der deutschen Kapazitaeten dieses Industriezweiges in Bayern angesiedelt.

2. Knapp die Haelfte der in der

Bundesrepublik Deutschland produzierten Halbleiter kommt aus Bayern.

3. In der Produktion von Silizium des hoechsten Reinheitsgrades haelt ein bayerisches Unternehmen einen Anteil von 40 Prozent am Weltmarkt.

4. Die Elektro- und Elektronikindustrie, vor allem in den Bereichen Datenverarbeitung, Nachrichtentechnik, Mess- und Regeltechnik, elektronische Bauelemente, ist zur bayerischen Schluesselindustrie geworden.

5. Neben den Produzenten von "Hard Ware" haben sich auch rund 40 Prozent der deutschen "Soft Ware"-Haeuser in Bayern angesiedelt.

Neben bekannten Betrieben wie BMW, MAN Kugelfischer, Rode und Schwarz, sowie Diehl, sind neue Unternehmen gekommen, zum Beispiel MBB, Teile von MTU, Siemens und KWU nach der Verlegung von Berlin nach Muenchen, Nixdorf. Bedeutende amerikanische und japanische Konzerne haben sich inzwischen in Bayern angesiedelt.

Das Wachstum der bayerischen Wirtschaft liegt deutlich ueber dem Bundesdurchschnitt. Die Infrastruktur wird staendig verbessert. Der Rhein-Main-Donaukanal wird zuegig fertiggebaut und 1991 wird der Flughafen Muenchen II eroeffnet, der neben Frankfurt und Zuerich zu einer internationalen Luftverkehrsdrehscheibe werden soll. Folgende drei Hauptgruende sprechen fuer Bayern als Standort:

1. das bayerische Bildungssystem,
2. die gute Verkehrsanbindung,
3. die politische Stabilitaet.

Gerade heute, wo ausgebildete Fachkraefte Mangelware sind, erweist sich das leistungsfaehige bayerische Bildungswesen als die beste Investition in die Zukunft. Heute haben wir nicht nur anerkannte Wissenschaftler an den Hochschulen, sondern auch Ingenieure, die eine hervorragende Hochschulausbildung durchlaufen haben, und Facharbeiter, die die technisch-geistige Faehigkeit und die notwendige Beweglichkeit fuer neue Techniken und Verfahren mitbringen. Deshalb vertrauen wir darauf, dass Bayern eine gesicherte Zukunft haben wird. ■

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Whether you are already in the U.S. market, or are planning an initial investment in the United States, you will be interested in the results of "German Enterprise in The United States". This survey, conducted and published by the German-American Chamber of Commerce and Arthur Young International in October, 1986, will give you insights into the experiences of German-owned businesses across America and how they are translatable to your own business. For a copy, please send your business card to Herb Morey, Arthur Young, 277 Park Avenue, New York, NY 10172.

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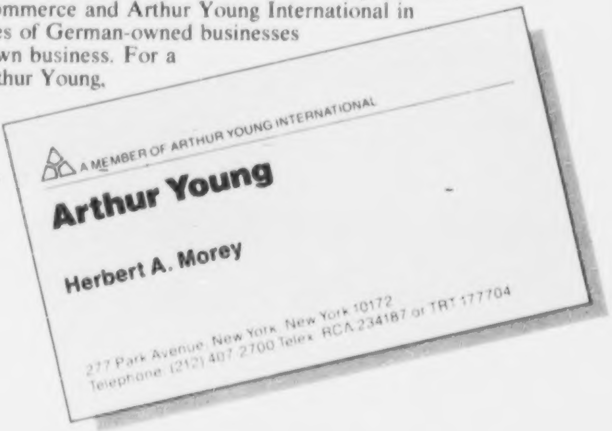

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Obviously something has been attracting technically advanced firms from around the world to Bavaria, making it Europe's premier location for high-performance companies. Consider this combination of typical strengths:

1. Bavaria has a traditionally stable government committed to the principle of help for self-help: Solid support for education and vocational training, research and technology transfer, a consistent strengthening of the state's infrastructure, and a variety of investment incentives.

2. Germany's largest federal state, covering 28% of the nation's land area, Bavaria offers sites for industrial settlement practically throughout the state. A company locating in Bavaria can tailor its facilities from available space amounting to more than 27,000 acres.

3. Bavaria, Continental Europe's semiconductor center, is a technically advanced economy employing, for example, one-fourth of all Germans active in electronics and electro-technology–in industries such as components manufacture, telecommunications, dataprocessing, entertainment electronics, and electromedicine.

4. Bavaria is at the heart of one of Europe's highest concentrations of user industries of advanced technology products, with electrical and mechanical engineering, automakers, and the German aviation and aerospace industries–about 50% of which are in Bavaria–heading the list.

5. Bavaria, where more people are employed in R&D in the industrial sector than in any other state, is a leading research center. It is the home of numerous universities and technical colleges as well as of the world-famous Max-Planck Institute, Fraunhofer-Gesellschaft and new research facilities for microelectronics and biotechnology.

6. Bavaria is a land of traditional values. Entrepreneurial drive and a strong work ethic are the bedrock of growing prosperity in Bavaria where government, the business and labor community, as well as the academic world have linked their resources to create an ideal environment for high-performance companies.

Not bad for a state famous for its charming lifestyle. If your company is considering expansion in Europe, take a close look at Bavaria. It'll be love at first site.

Free State of Bavaria

Bavarian State Ministry of Economics
D-8000 Munich 22, P.O.B., Federal Republic of Germany

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*Der Staat New York: Idealer Raum fuer Geschaefts**niederlassungen***

New York State: Ideal Business Location

by Mario M. Cuomo
Governor
State of New York

The ties between Germany and New York, the Empire State, are deep and strong. They go back to the 17th Century when German immigrants were among the first Europeans to settle after 1629 on the patroonship estates in New York State's Hudson Valley. The ties go back as well to the early 18th Century when German Palatines formed the largest of the migrations during New York State's colonial period. These migrations settled in the lower Hudson Valley and in the other major river valleys to open up the heart of New York State. These were the first of millions of German immigrants who have helped shape our nation, New York State and the traditions and values we all share.

Nowhere are these ties more prominent than in New York State, where German-Americans have played important roles in business, the professions, politics and the arts. German-Americans have contributed greatly to the industrial and financial development of the state and to the cultural heritage of a state known the world over for its ethnic diversity.

Direct Investments

These strong ties can be measured today in the amount of investment and trade activities between West Germany and the Empire State. West German direct investment in the U.S. totaled $11,397 million at the end of 1983. Of this total, according to the U.S. Department of Commerce, $981 million, or 8.6 percent, was invested in the New York State affiliates of German firms.

Nonbank German affiliates employed over 20,000 people in New York State at the end of 1983, 5.8 percent of the 350,517 employed by such affiliates nationwide.

The American Banker reported that the 10 German-owned banks operating in New York State had assets of over $7.2 billion in 1985.

Data gathered by the International Trade Administration show that German investors completed 825 direct investment transactions in the U.S. during the period 1976 through 1984. Of these, 81, or 9.8 percent, were in New York State. Total German investment in the U.S. was over $7.1 billion, with only 35 of the cases reporting investment value. About 30 percent of the transactions in New York had investment figures which totaled $893 million for the nine-year period – 12.6 percent of the nationwide total.

West German direct investment . . . totaled $11,397 million at the end of 1983. Of this total . . . 8.6 percent, was invested in New York State affiliates of German firms.

During the first six years of the 1980's, the

Looking north toward Manhattan island.

New York State Department of Commerce received reports of 38 German investments in manufacturing industries in our state. Of these, four were new firms, 29 were expansions and five were acquisitions of existing businesses. Investment reported for the period totaled $122.9 million. Over 1,800 new jobs were anticipated as a result of investment by new and expanding firms. Another 955 jobs were connected with the acquisitions and, thus, do not represent an increase in employment.

Within 750 miles of Central New York State is. . . half the population of the U.S. and Canada.

German Firms in New York

In 1982 and 1983, the New York State Department of Commerce conducted a survey of all known foreign-owned businesses in the state. A total of 1,058 companies responded, which was 36 percent of all firms canvassed. Of those responding, 112 were subsidiaries or affiliated with German investors and reported that they employed over 7,000 people in New York at that time. The industry distribution included 44 manufacturing operations, 30 in wholesale or retail trade, 19 in finance and insurance, and nine in other industries. Some of the companies with important New York State manufacturing facilties include BASF AG, Byk-Gulden Lomberg Chemische Fabrik GmbH, Friedrich Flick Group, Schering AG, Felix Schoeller, Faun-Werke AG, Vereinigte Aluminium-Werke AG, Siemens, SKW Trostberg AG and Carl Schenck AG.

German firms which have established operations in New York in recent years include Barthelmess GmbH (Barcana, Inc.); Holz & Kunstsoff AG (BHK of America Inc.); Sepper & Worsching/Firmengruppe (NEPT Inc.); Habermaass GmbH (Habermaass Corporation); Marquardt GmbH (Maarquardt Switches, Inc.), and WAP AG (Wap Machinen).

Why do German companies turn to New York State locations when their managements look for profitable American investments? There is a long list of advantages for business and industry in our state.

These benefits include a continuing reduction of personal and corporate taxes, with the maximum tax rate on personal income dropping to its lowest level in 26 years.

New York Infrastructure

Within 750 miles of Central New York State is the largest and richest market in North America, consisting of half of the population of the U.S. and Canada. Residents of this massive market area possess 50 percent of the total personal income of both nations, and this region also generates half of U.S. wholesale sales and 48 percent of U.S. and Canadian retail sales.

To make it easier to transport people and products quickly and efficiently, New York State offers an integrated transportation system that includes 348 airports, over 80 scheduled air-

The piers in Brooklyn in New York Harbor.

lines, almost 1,200 long distance trucking companies, five major rail-freight carriers, 33 deep water ports and 15,000 miles of state highway. Almost $7.5 billion has been committed to keep this network operating at peak efficiency through ongoing improvements and upgrading.

Our state education system, from elementary and high schools to almost 300 private and public institutions of higher education, help meet the demand for well trained workers in both professional and skilled categories. Every year, New York schools produce many college graduates. We also provide a variety of training programs to meet specific requirements of business and industry.

Financial Incentives

As the economic capital of the world, New York generates the largest source of capital as well as unmatchable financial services, with incentives offered by state and local agencies to create a most attractive financial package. New York State has doubled – to $600 million – the funds available for low cost, long term loans for business location and expansion. A vast array of other private and public financing sources is available for business and industrial projects.

. . .German Palatines formed the largest of the migrations during New York State's colonial period. . .

A New York State location provides unparalleled quality of life advantages. Within our borders can be found the world's greatest city and a wilderness preserve larger than some entire states. Our seashores, mountains, lakes, rivers and forests, combined with world-renowned cultural facilties, provide unsurpassed recreational opportunities and amazing diversity to meet all tastes.

The future economic growth and prosperity of New York State and the U.S. as a whole is heavily dependent on our ability to increase our share of the world market.

Spearheading New York State's programs in our vital international trade endeavors is the State Commerce Department's Division of International Commerce. The International Division, established in 1962, was the first created by any state. It is responsible for promoting "Made in New York" products and services abroad, and for attracting foreign investment in our state. Its successful activities have helped New York State lead the country in attracting international direct investment since 1981 and have earned the International Division the President's "E" Star Award for efforts in export development.

NEW YORK STATE

Exhibit at Photokina, Cologne.

At home, our International Division alerts New York State companies for foreign sales opportunities through a variety of programs. These include publication of computerized Export Opportunities bulletins which list inquiries for New York-produced products. These bulletins are mailed to 11,000 manufacturers and suppliers who can provide the products or services.

Helpful publications such as *Selling to For-*

New York's John F. Kennedy International Airport.

eign Markets and *Export – A World of Opportunity* are provided to both seasoned and new exporters; export seminars are conducted around the state to alert manufacturers to newest developments and techniques, and individual counseling is provided by international commerce specialists.

Each year, the Governor's Awards for Achievement in Export are presented to small and medium-sized manufacturers to recognize their achievements in developing export sales.

The International Division...is responsible...for attracting foreign investment in our state.

Overseas Promotion

New York State operates three overseas trade offices, including one in London and another in Wiesbaden, West Germany. These offices establish close working relationships with the local importing community, as well as with our state's vast international trade services industries (banks, accounting and law firms), and with U.S. consular officials and commercial attaches.

One of the primary approaches our International Division utilizes to bring quality "Made in New York" products to the attention of overseas customers is participation in trade shows.

Our Overseas Trade Show Program, now in its eighth year and one of our most successful export promotion endeavors, had its start in Germany with two exhibitions in 1978 – Security 78 in Essen and Photokina 78 in Cologne.

Since then, New York State has had a presence at 13 additional trade shows in Cologne, Duesseldorf and Munich. Electronica, Productronica, Spoga, Interhospital, and the International Hardware Fair are among the international trade events at which New York has exhibited.

Later this year, New York State manufacturers of photographic and audio-visual products, and firms in the plastic industry will exhibit their wares under the New York Commerce Department banner at Photokina 85 – our fifth participation in this particular exhibition – and at K-86.

The close business relationships which New York State and German companies have maintained through the years have led to better understanding and mutual respect on both sides of the Atlantic. We in the Empire State look to an expansion of these business contacts and to the salutary results that follow. ■

DEUTSCHE ZUSAMMENFASSUNG

Zwischen der Bundesrepublik Deutschland und dem Staat New York bestehen feste Beziehungen. Diese gehen bis auf das 17. Jahrhundert zurueck, als deutsche Einwanderer unter den ersten waren, die das Land besiedelten. Diese Einwanderer haben entscheidend dazu beigetragen, die Nation und den Staat New York, seine Traditionen und Werte, zu formen.

Der Umfang der Investitionen und Wirtschaftsbeziehungen zwischen der Bundesrepublik und dem Staat New York verdeutlicht die engen Beziehungen. Die deutschen Direktinvestitionen in New York beliefen sich Ende 1983 auf $981 Millionen. Dies entspricht 8,6 Prozent der Gesamtinvestitionen in den Vereinigten Staaten. Zwischen 1976 und 1984 wurden 825 Direktinvestitionen in den Vereinigten Staaten registriert, davon 81 im Staate New York. Von 1980 bis 1986 gab es 38 deutsche Investitionen im Produktionsbereich mit einem Volumen von $122,9 Millionen. Dadurch wurden ueber 1.800 neue Arbeitsplaetze geschaffen. Die 112 deutschen Tochtergesellschaften und Zweigunternehmen, die sich an einer vom New York State Department of Commerce durchgefuehrten Umfrageaktion beteiligten, beschaeftigen ueber 7.000 Personen im Staat New York.

Der Staat New York bietet viele Vorteile fuer deutsche Investoren. Sowohl die Einkommen—wie auch die Koerperschaftssteuer sind auf dem niedrigsten Stand seit 26 Jahren. Der Staat New York stellt einen sehr grossen Markt dar. Innerhalb eines Radius von 750 Meilen von der Mitte von New York befindet sich die Haelfte der Bevoelkerung der Vereinigten Staaten und Kanadas. Der Staat New York verfuegt ueber ein gut ausgebautes und integriertes Verkehrs—und Transportnetz. Es gibt 348 Flughaefen, 80 Luftfahrtgesellschaften, 1.200 Fernfahrtunternehmen, 5 Eisenbahngesellschaften, 33 Tiefseehaefen und 15.000 Meilen Autobahn. Der Nachfrage nach ausgebildeten Arbeitskraeften traegt das staatliche Schul—und Bildungswesen Rechnung. New York bietet schliesslich hervorragende Dienstleistungen im Finanzbereich an. Auch die Lebensqualitaet ist unvergleichbar gut. Es gibt grosse Naturschutz—und Erholungsgebiete und ein unuebertroffenes kulturelles Angebot.

Der Export von Produkten und Dienstleistungen "Made in New York" wird von der Division of International Commerce des State Department of Commerce gefoerdert. Daneben ist es die Aufgabe der International Division, auslaendische Investitionen in New York zu unterstuetzen. Eine Vielzahl von Publikationen dient diesem Anliegen. Der Staat New York unterhaelt die Wirtschaftsfoerderungsbueros in Uebersee, von denen sich eines in Wiesbaden befindet. Daneben ist New York auf verschiedenen Messen und Ausstellungen, zum Beispiel in Koeln, Duesseldorf und Muenchen, vertreten.

Die engen Wirtschaftsbeziehungen zwischen dem Staat New York und der Bundesrepublik Deutschland haben dazu beigetragen, dass das Verstaendnis und die gegenseitige Anerkennung zugenommen haben. Der Staat New York hofft auf einen weiteren Ausbau und eine Vertiefung der gegenseitigen Wirtschaftsbeziehungen. ■

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Eine Formel fuer die Kommunikation der Zukunft

INDUSTRIAL HIGHLIGHT

A Formula for Future Communications

by Dr. Horst Nasko
Member of the Board
of Executive Directors
Nixdorf

The future of telecommunications is signposted with plans for digitisation of telephone exchanges, paving the way for the incorporation of a wide range of communications services in a single integrated services digital network (ISDN).

This future-oriented expansion of PTT networks is opening up immense opportunities for the information technology industry.

In Germany, as in other western industrial nations, ISDN integrated services digital networks are due to come on stream from 1988 onwards. These systems will facilitate transmission of all narrow-band services like voice, data, text and graphics over a single line instead of separate networks. Nixdorf is foremost among the advocates of efforts to accelerate the installation of a unified ISDN system.

A further stage, from 1995 onwards, envisages Germany migrating to fibre optic communications with broadband optical fibre cable networks. Besides transmitting voice, text, images and data, this broadband ISDN will open the way for two-way video communications between households, videoconferencing, and transmission of radio and television programmes in a unified telecommunications system.

The emerging changes in communications, spurred by the transition from electromechanical to electronic and from copper to fibre optic technology represent an evolutionary breakthrough. The importance of telecom technology in the infrastructure of national economies is underlined by the fact that the telecom networks worldwide support more that 550 million telephones, about 1.5 million telex subscribers, and a growing number of facsimile, teletex, videotex and other types of terminals.

The German telephone network alone operates about 24 million subscriber lines. Together with the integrated data network (IDN) handling commercial data communications with telex, teletex, and datex, it forms the backbone of the communications infrastructure in West Germany. As in other countries, the introduction of digital telephone technology and subsequent integration of different services in a unified circuit will vastly improve communications efficiency.

Technological advance in communications has spurred Nixdorf's development of new products and applications. In its thrust into the telecom market, the company is reaping the full rewards of the digital expertise and software know-how it has acquired through years of experience as a computer manufacturer.

. . .expansion of PTT networks is opening up immense opportunities for the information technology industry.

Consequently, Nixdorf sees itself well poised to expand in the telecommunications market. The response to its ISDN-capable 8818 digital

Nixdorf digital telephone communicates through the 8818 ISDN System.

switching system has been more than encouraging: About 2,000 systems supporting more than 220,000 extensions have been installed worldwide since the market launch in 1982. Besides Germany, the 8818 PABX is being marketed successfully in seven other countries including Japan and the People's Republic of China.

. . . the 8818 PABX is being marketed successfully in seven other countries including Japan and the People's Republic of China.

Increasing standardisation, brought about by CCITT defined ISDNs, will enable manufacturers to address worldwide markets.

The digital switching systems tie in with plans of European PTT's to upgrade networks and services available to private users. As a step in this direction, they have already installed IDN structured networks but ultimately they will all migrate to ISDN's.

To allow users to make the most of the benefits of these future communications, PABXs with ISDN capabilities for use in corporate communications systems are now being offered.

This common orientation began in the mid-1970s when the first ISDN concepts were developed by European PTT's. By the autumn of 1984 developments had reached a stage where the PTTs were able to agree on a formal set of CCITT recommended standards.

On the European stage, the most detailed plans have been drawn up by the German PTT: The first ISDN pilot systems will be in place in 1987 and full-scale implementation is scheduled to begin in 1988. Great Britain already has a forerunner service – IDA – and will start to implement ISDN to CCITT standards in 1988.

By 1990, all major European countries will be implementing ISDNs. Users in countries like France and Great Britain, where 64 kbit/s leased lines are currently available, are already realising the benefits of integrated communications in in-house networks, and are eagerly awaiting the availability of these facilities in public networks.

In the future ISDN environment, PABXs will exercise a major control function, as CCITT allows the use of standard signalling where the network (or PABX) can interpret the signals.

The Nixdorf Digifon – for more than just voice communications.

This option has enabled the development of a range of products which do not rely on costly interface technology like modems but operate through much simpler connections of much simpler design. Since these products combine telephone with computer technology, they also offer users an economical alternative by permitting the same equipment to be deployed for communications and data processing tasks (Multitel).

Introduction of ISDNs is coinciding with changes in the regulatory environment for supply of end-user-equipment, and the need for manufacturers to target large markets in order to recover development costs. Increasing standardisation, brought about by CCITT defined ISDNs, will enable manufacturers to address worldwide markets. This trend has already made an impact in the PABX area, and will be spurred by demand for ISDN-compatible terminal equipment. In this context, increased competition is anticipated in the European market from vendors in the USA and Japan.

Although Europe has a relatively large number of suppliers, the majority have only just announced products for this market or only recently made a start on installations. By year-end 1986, the installed base of high-end ISDN-PABX systems supporting more than 100 extensions will rise to 1,500 and, by 1989, to 15,000 systems. Initially, these systems will be used as voice only replacements for current PABXs, but projections estimate that multifunctional terminals will account for five percent of PABX shipments in 1989.

The digital 8818 ISDN system allows: data, images, text and graphics.

In the Nixdorf terminal equipment range, the major product line is the Digifon digital telephone. Apart from offering the big office features of a flexible telephone system, Digifon allows data communications and can be used for connection of workstation terminals. Even though public ISDN networks are still a few years from realisation, users of Nixdorf digital PABXs can already install inhouse office networks integrating voice, image, text and data communications. ■

DEUTSCHE ZUSAMMENFASSUNG

Integrierte Standarddienstnetze (ISDN), die eine Vielzahl von Kommunikationsdienstleistungen umfassen, sind die Zukunft der Telekommunikation. Sie eroeffnen unermessliche Moeglichkeiten fuer die Informationstechnologie. Die integrierten digitalen Dienste, die in der Bundesrepublik Deutschland und in anderen westlichen Industrienationen ab 1988 verfuegbar sein werden, ermoeglichen die Uebermittlung von akustischen Signalen, Daten, Texten und Grafiken ueber eine einzige Leitung, anstatt ueber verschiedene Netzwerke. Eine weitere Entwicklung, die in der Bundesrepublik voraussichtlich ab 1995 Platz greifen wird, ist die Glasfaserkommunikation, welche Video-Kommunikation, Video-Konferenzen sowie die Uebertragung von Radio-und Fernsehprogrammen ueber ein vereinheitlichtes Telekommunikationssystem ermoeglicht. Eine erhebliche Bedeutung kommt der Telekommunikationstechnologie zu. Die Einfuehrung von digitalen Telefontechnologien und die folgende Integration verschiedener Dienstleistungen in einem vereinheitlichten System wird die Kommunikationseffizienz weiter erhoehen. Nixdorf hat auf dem Telekommunikationssektor neue Produkte entwickelt, so zum Beispiel das ISDN vermittlungsfaehige System 8818, das seit seiner Markteinfuehrung im Jahre 1982 weltweit vertrieben wird. Dieses System findet auf Grund seiner Qualifikation Anwendung in den Bereichen der Telekommunikation (digitale Telekommunikation). ■

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AEG Aktiengesellschaft, with its headquarters in Berlin and Frankfurt/Main, is a technology company operating worldwide in the field of electrical and electronic equipment, systems and installations for communication and information, for industrial and power applications, for defense and transport, for the office and the home.

AEG has over 75,000 employees and worldwide annual sales of about US $4.0 Billion. 6,000 employees are involved in research and development. R+D investments of about US $310 Million annually are contributed to AEG's technological future.

Manufacturing facilities in 40 cities in the Federal Republic of Germany are providing modern technical products which are successful on international markets. In addition, there are factories in 12 other European and non-European countries.

Worldwide, AEG is represented in 110 countries. 58 majority-owned companies, numerous minority interests, representations and foreign business offices provide contact to the enterprise's foreign customers. The foreign companies make substantial independent contributions in engineering, supply of complete facilities, systems, and components and deliveries for international projects.

In the U.S.A., the group is represented by AEG Corporation and Olympia USA Inc. in Somerville, New Jersey and AEG Power Tool Corporation in Norwich.

AEG has recently announced the aquisition of Modular Computer Systems Inc. (MODCOMP), Florida. MODCOMP markets high speed computers and systems. AEG intends to use MODCOMP's sales and service organization in the U.S.A., in the areas of information products and systems, industrial and railways techniques. ☐

AMERICAN BARMAG CORPORATION, a wholly-owned subsdidiary of BARMAG AG in Remscheid-Lennep, West Germany, was founded in August, 1965 in Charlotte, North Carolina. Since then Barmag has achieved a remarkable position in the Textile, Plastic and Hydraulic Industry through its efficient sales and service organization in the United States and Canada.

Its parent company Barmag AG in Remscheid-Lennep, was founded in 1922 as a small machine manufacturing company building machinery for the then evolving rayon industry. Through time, the production program underwent constant expansion. When the production of polyamide and polyester fibers was begun—in the late 1940's—Barmag started to design and build machines for the production and processing of these new man-made fibers, and thus opened new markets.

Today, an almost complete production program of machines ranges from spinning extruders through spinning mill equipment, and draw-texturing machines to twisters. Barmag is the only machine manufacturer in the world that offers such a complete line of machines featuring the most modern design, perfect engineering and the latet technologies in the field of man-made fibers.

Continuous research and development, as well as increased worldwide sales activities have led to an unusually strong rate of growth since the beginning of the 1960's.

The high technological standard in the development of texturing machines permitted the introduction of the draw-texturing process on a broad industrial scale. With draw-texturing in the background, Barmag's heavy-duty spinning take-up machines reached a dominant market position. Barmag also introduced the conversion from conventional spinning to high-speed spinning, especially in the production of polyester and nylon.

Barmag supplied spinning lines preassembled to container dimensions, adapted to the specific requirements of customers.

Improved technolgies become especially visible when Barmag's inline spin-draw texturing process for carpet yarns and new staple fiber processes. Representative of the successful incorporation of new products is the manufacturing program for blown film, film strip and fiber lines for the Plastic Industry, as well as a line of gear pumps. Barmag furthermore offers a wide program of load-independent proportional valves and hydraulic components for industrial and mobile applications. ☐

AMERICAN HOECHST CORPORATION, headquartered in Somerville, N.J. achieved sales of $1.69 billion in 1985. The diversified chemicals, plastics and pharmaceuticals producer also gained a record $53.2 million net earnings in 1984.

Hoechst-Roussel Pharmaceuticals Inc., a subsidiary, markets Lasix®, (furosemide) a diuretic, one of the ten most prescribed drugs in the country; Claforan®, one of the newest antibiotics; and Streptase® (streptokinase) which has been called a major breakthrough in treating heart attack victims; Diabeta®, oral anti-diabetic agent; Trental®, for intermittent claudication. In addition, Hoechst-Roussel has approximately 25 other new drugs in various stages of investigation.

Hoechst Fibers Industries, producer of Trevira® polyester fibers, is one of the largest producers in the country.

Cape Industries, a joint venture with American Petrofina, supplies DMT (dimethyl terephthalate) and TPA (terephthlate acid) the raw materials for the manufacture of polyester fibers, films and bottle resins. The Polyolifens units produce high density polyethylene, ultrahigh molecular weight high density polyethylene.

The Film business units market rigid polyvinyl chloride film and sheet polyester film, polypropylene sheet, polarized and film laminates.

The Industrial Chemicals business units supply aromatic chemicals as intermediates for agricultural, pharmaceutical, graphic, dye, pigment, and cosmetic industries;

aliphatic chemicals for use in various industries including food, pharmaceuticals and plastics. The units also provide specialized resins for advanced coating technologies.

The Colorants & Auxiliaries business units supply dyes for textile applications; organic pigments for the automotive, plastics, paint and print ink industries; textile and specialty chemicals for many applications including metalworking, cosmetics, detergent, oil drilling, fiber and paper industries. The Waxes, Resins and Polymers unit markets Hostaflon® (PTFE) used to coat metals to prevent sticking, and Hostaform® acetal copolymers, engineering plastics.

ENCO® Printing Products provide presensitized offset printing plates and prepress color proofing systems.

AZ® Photoresist products are widely used by the electronics industry. Hoechst-Roussel Agri-Vet Company supplies products for crop protection, including Hoelon® 3EC herbicide, pharmaceuticals for animal health including Panacur® for horses, and Flavomycin® (bambermycins), the only antibiotic designed for exclusive use in farm animals to promote growth.

The Behring Diagnostics Division markets diagnostic reagents and research biochemicals. □

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ARTHUR
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THE ARTHUR ANDERSEN WORLDWIDE ORGANIZATION is one of the largest international financial services organizations, providing a full range of professional services in accounting and auditing matters, tax compliance and planning, and management information consulting, through 219 offices, including five in principal cities in Germany.

Since its founding in 1913, Arthur Andersen's guiding principle has been the assurance that all partners have a similar interest in servicing the firm's clients everywhere in the world. In keeping with this tradition, in 1978, the firm created a Societe Cooperative, domiciled in Geneva, Switzerland, to coordinate worldwide services. This Societe Cooperative, which is controlled by all partners in the national practice entities throughout the world, facilitates consistently high quality client services in terms of professional practices and standards.

Accounting and Auditing—Arthur Andersen has always taken a business approach to its audit assignments and accounting services. All professional personnel are first trained to develop an understanding of the client's business and operating objectives. Recommendations regarding management systems are developed within this framework. Using this business approach, the organization renders specialized assistance in the accounting and financial aspects of seeking and evaluating potential acquisitions, locating plants and other facilities, and other contractual relationships.

Tax Services—Arthur Andersen's tax practice is supported by the world's largest nongovernmental body of full time tax professionals. Tax personnel in each office are totally familiar with local tax matters as well as important concepts of international tax planning and the intricacies of international tax treaties. Through sharing of experience, communications networks and worldwide research capabilities, the organization offers fully integrated tax advice on such matters as organization structure, cross-border trading, transnational acquisitions, mergers and other undertakings. Similarly, the tax practice is well positioned to assist expatriates in their individual tax planning and compliance.

Management Information Consulting—For more than 35 years Arthur Andersen has helped clients meet their business information needs. The Management Information Consulting Practice has grown into the largest international consulting organization of its kind, with over 8,000 professionals in 49 countries. Consulting professionals plan, design, and install information systems and conduct analytical studies to provide the information executives need to effectively plan, evaluate and control their financial, marketing, information processing and other operations. ☐

ACL

ATLANTIC CONTAINER LINE is an international company formed by six major European shipping companies to provide a developing through-transport service between Europe and North America.

In 1965 Atlantic Container Line was formed by three Swedish Companies—Wallenius (the world's largest sea carrier of motor cars), the Swedish American Line and the Transatlantic Steamship Company Limited—and the Holland America Line of Rotterdam. These companies were later joined by the French Compagnie Générale Transatlantique (CGT) and the British Cunard Steamship Company. Late in 1974 the Brostrom Group of Sweden acquired the transport division of Holland America Line. Their ACL share is now owned and managed by Intercontinental Transport (ICT) BV, Dutch subsidiary of the Brostrom Group. A further development occurred in 1976 when the three vessels of Care Line—owned by CGT, SAL and Wallenius—became fully integrated into the ACL fleet.

The six companies of the group are: Compagnie Generale Maritime (CGM) (France); The Cunard Steamship Company Limited (United Kingdom); Intercontinental Transportation (JCT) BV (Netherlands); Swedish American Line (Sweden); The Transatlantic Steamship Company Limited (Sweden); and Walleniusrederierna (Sweden). Atlantic Container Line was formed initially to enable these companies to meet together the high capital investment involved in building, operating and developing a fleet of roll-on/roll-off containerships on the North Atlantic.

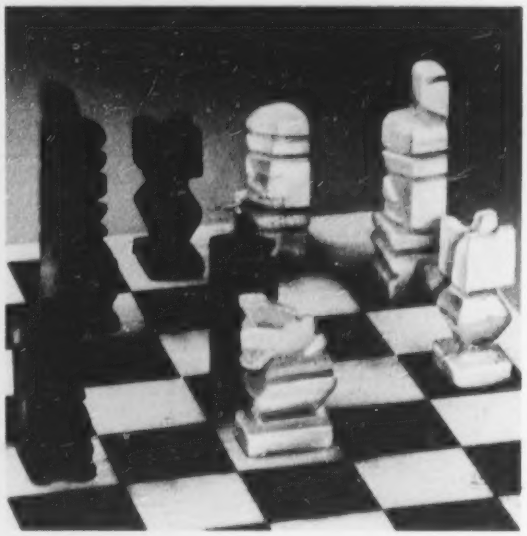
The group owed much of its initial impetus to the Wallenius company which had conceived the idea of building a fleet of large and fast roll-on/roll-off cargo and car carriers for transatlantic service. When Atlantic Container Line was formed, a technical committee with representatives from all participating companies was organized to deal with the construction of ACL vessels.

While containerization would form an important part of the Atlantic Container Line service it was recognized from the start that shippers would need cargo handling and carrying capacity for goods that could not be containerized, or for goods that could be handled better and less expensively by not being containerized. The company's purpose in developing a combined roll-on/roll-off container fleet was to provide a fast, efficient and economically attractive general cargo service that includes motor cars.

ACL first introduced Ro/Ro to the U.S.-North Atlantic trade in 1967. It currently operates ten fast modern Ro/Ro container ships direct from the U.S. east coast to eight major ports in the United Kingdom, France, the Netherlands, Belgium, West Germany and Scandinavia. With rapid load and unload capabilities, ACL's vessels offer eight to twelve hour turn-around and three-times-a-week sailings from U.S. ports. ☐

Audi

AUDI OF AMERICA, INC. imports and distributes advanced-design vehicles manufactured by Audi AG of Ingolstadt, West Germany. Audi of America, Inc. is located in Troy, Michigan, with five regional offices serving multi-state areas. In addition, inde-



Merchant Bankers' historic ties to corporate boardrooms can be decisive in helping you make the right move in mergers and acquisitions negotiations.

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In these times of high-speed technology and specialization, BHF-BANK's highly qualified team of international mergers and acquisitions consultants at our company FRANKFURT CONSULT can point to an outstanding track record. These experts help clients make the right moves through all the complex phase of negotiations, from formulation of a flexible, carefully designed strategy, through negotiation of the final takeover terms. And as members of the BHF-BANK team, these professionals can also offer you the advantages of the Bank's long-standing ties with key corporate decision-makers.

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BERLINER HANDELS- UND FRANKFURTER BANK

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pendent distributors are located near New York City and St. Louis, Missouri.

Audi of America, Inc. was formed on September 1, 1985, and includes what had been Volkswagen of America's Audi Division. The functional areas within Audi of America include sales, service, advertising, merchandising, public relations and motorsports.

Audi entered the U.S. market only in 1969. In the first full model year of 1970, Audi sold 7,691 vehicles through 138 dealers. In 1985, a record number of 74,061 Audis were sold through 408 dealers.

Audi AG, the manufacturer of Audi automobiles, is headquartered in Ingolstadt, West Germany in the state of Bavaria, just north of the city of Munich. The other principal factory is located in Neckarsulm, not far from Stuttgart. Among the world's automobile manufacturers Audi is known for its product innovation, particularly in aerodynamic design and the advancement of all-wheel drive vehicles. Audi AG is headed by Dr. Wolfgang R. Habbel, Chairman of the Board of Management.

Audi AG traces its history back to the early portion of this century when in 1909 August Horsch left the automobile company he founded under his own name and began a new firm called "Audi"—the Latin translation of Horsch's name.

The first Audi vehicle designed by Horch was a sports car—it won its first race in Sweden just three months after introduction. Since that time Audi has continued to demonstrate its superior performance capabilities in the motorsports arena.

In 1986, Audi of America clinched the U.S. Sports Car Club of America PRO-Rally Manufacturers Championship. Audi's professional rally driver John Buffum, driving an Audi Sport Quattro, won his tenth U.S. SCCA Drivers' Championship title.

In addition, famed race driver and three-time Indianapolis 500 winner Bobby Unser teamed up with Audi to set speed records in an Audi 5000CS Turbo Quattro at Alabama International Speedway and to break records in an Audi Sport Quattro S-1 at the Pikes Peak Hill Climb in Colorado.

Audi continues to be at the forefront in automotive innovation, being a technological leader in all-wheel drive with Audi's unique Quattro system, in aerodynamic styling, and antilock braking system.

For 1987, Audi offers eight models in the U.S. ranging in price from $16,000 to over $30,000, the Audi 4000S, 4000CS Quattro, Coupe GT, 5000S, 5000S Wagon, 5000CS Turbo, the top-of-the-line 5000CS Turbo Quattro and 5000CS Turbo Quattro Wagon. □

BHF-BANK
BERLINER HANDELS- UND FRANKFURTER BANK

While the story of BHF-BANK dates back to the middle of the last century, its present status results from a merger between Berliner Handels-Gesellschaft and Frankfurter Bank in 1970. As a limited company the Bank is owned by approximately 20,000 shareholders and is directed by its personally liable managing partners. It is a merchant and commercial bank and issuing house, is involved in portfolio management and securities business, and has been active in international finance for more than a hundred years. The Bank, with total assets of 29.6 billion Deutschmarks, thus combines the advantages of a company that has access to the capital market with all the flexibility of a private bank.

The Bank concentrates its creative skills on wholesale banking activities, principally for larger companies. Through the years its proven ability to tailor its facilities to meet the most stringent requirements of its clients and its commitment to efficiency and good service have contributed substantially to the successful development of many companies of all sizes—German and international companies as well a subsidiaries to multinational corporations operating in Germany.

Headquartered in Frankfurt, Germany's financial center, BHF-BANK serves a broad and diversified clientele: industrial companies (including nine out of ten top German companies), multinational corporations, government agencies, public entities, international organizations, and financial investors, as well as private customers.

Through its foreign branches in New York, Grand Cayman, Singapore and Tokyo, its subsidiaries in Luxembourg, Jersey, Zurich and New York, and its representative offices in the major financial centers, BHF-BANK is well positioned to provide its clients with individually packaged financing wherever the need arises.

Domestic and international mergers and acquisitions are carried out by the expert staff of FRANKFURT CONSULT Gesellschaft für Beteiligungsvermittlung and Fusionsberatung mbH. □

BMW

A little more than a decade ago BMW was regarded as a well kept secret in the United States. The Bavarian marque was recognized and respected within a knowledgeable but small group of enthusiasts, but generally unknown to the casual motorist.

When BMW AG established BMW of North America as its sales subsidiary for the states in 1975, the initial task for the young company was clear: capture the attention of the larger group of consumers who the company was confident would appreciate the way BMW blended German tradition and technical innovation into an active, comfortable and safe driving experience.

The sales record of BMW in the United States over the past eleven years shows that the goal was accomplished in dramatic fashion. Vehicle sales have increased more than six fold, from 15,007 in 1974 to 87,878 in 1985. Retail deliveries for this year are projected to surpass 90,000.

While this sales level may not be statistically significant in the multi-million unit U.S. automobile market, BMW's product philosophy and growth rate have enabled it to capture what one automotive journalist characterized as a share of mind which is totally out of proportion with its share of market.

During a decade of recession, gas crisis and a restructuring of the automotive industry, BMW emerged as a leader in the most dynamic part of the American market, the luxury/performance segment.

BMW of North America's marketing strategy since 1975 has focused on elements which are most important to consumers in this market. "The Ultimate Driving Machine" was selected as the way to summarize BMW's engineering philosophy. All BMW models are positioned as cars that deliver intelligent performance and workmanship in engineering excellence, rather than superficial opulence.

BMW has systematically expanded the capacity of its dealer organization in the United States over the past eleven years by placing emphasis on development rather than sheer growth. Average sales per dealer have increased from 60 in 1974 to 200 this year. By committing more cars to each dealership, BMW can work with each dealer on an investment program to create the personnel, work space and inventory capacities necessary to ensure high levels of customer service.

For 1987 BMW offers ten models in the U.S., ranging in price from under $22,000 to over $46,000.

BMW motorcycles, also imported and sold by BMW of North America, feature three engine types: The K-Series, with three- and four-cylinder water-cooled, in-line engines, and the R-Series with two-cylinder, horizontally-opposed "boxer" engines. Motorcycle prices range from $3,800 to $7,650.

BMW of North America maintains its headquarters in Montvale, New Jersey, a corporate campus community twenty-five miles northwest of New York City. Dealer services are administered through seven regional offices, in the Atlanta, Chicago, Dallas, Los Angeles, San Francisco, Washington, D.C. and New York metro areas.

Parts inventories are maintained in distribution centers in New Jersey, Texas and southern California. Technicians are trained in seven locations around the country. In addition, a BMW vehicle preparation center processes automobiles arriving through the port of Houston.

Gunter Kramer is the chairman and president of BMW of North America, Inc. □

Baden-Württemberg

The state of BADEN-WUERTTEMBERG is located in the southwestern corner of the Federal Republic of Germany. It is the third largest state, with an area of 35,750 square kilometers and 9.2 million inhabitants. The geographical location represents a particular advantage for both manufacturers and consumers: the major share of all Western European population centers and industrial regions is located within a radius of only 700 kilometers from Stuttgart, the state's capital. Besides the Federal Republic of Germany, a large part of France, the Benelux-countries, Switzerland, Austria and Northern Italy are within this radius. Thus, Baden-Wuerttemberg is located in the heart of Europe, which makes it a center for markets and suppliers, technologies and labor, purchasing power and investment capital.

Its favorable location, the high qualifications of its people and its well-balanced economic structure have made Baden-Wuerttemberg the economically most powerful state of the Federal Republic of Germany and thus probably also in Europe.

But Baden-Wuerttemberg is not only the economically most powerful state of the Federal Republic of Germany; it is also among the states with the most promising growth perspectives.

LEG is Baden-Wuerttemberg's State Development Corporation *(Landesentwicklungsgesellschaft)* and since the beginning of 1985 LEG's Dept. for Industrial Cooperation and Development has been in charge of the promotion of foreign investment in the state. This department also assists small and medium-sized enterprises in finding cooperative partners from abroad and vice versa—a free-of-charge service.

Look to BADEN-WUERTTEMBERG, if you are looking in Europe for:

—a joint venture partner, because modern industries need modern partners
  - in dynamic companies
  - that welcome new ideas
  - that can handle new technologies
  - with proven records of success.

—plant locations, because modern industries need modern sites
  - advanced research facilities
  - superior quality of life
  - skilled labor

- well-developed transportation and communication network.

—suppliers, because modern industries need modern suppliers

- with trend-setting products
- with high-precision products
- known for quality and reliability
- demanding a fair price.

—R & D support, because research centered industries need a research-oriented environment

- Baden-Wuerttemberg houses 30% of West Germany's R & D potential, with only 15% of the nation's population. It covers all the fields of microelectronics, measuring and control, sophisticated sensoring, materials technology, biotechnology, cancer research, systems and process technology, robotics, and environmental technologies.

For more information, write or phone:

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BfG:Bank für Gemeinwirtschaft

Established in 1958 with head offices in Frankfurt, BfG operates as a commercial bank, offering its customers a complete range of 'universal' banking services. With consolidated assets of DM 63.7 billion at the end of 1985 the BfG group ranks among the largest private German banks. It has a staff of 8,797 and maintains a network of 257 offices throughout the Federal Republic of Germany and West Berlin.

In recent years, BfG has also expanded its international banking activities, supported by its subsidiary BfG: Luxembourg, branches in Hong Kong, London, New York and Cayman Islands as well as associated banks in Amsterdam and Basel. A representative office is also maintained in Saô Paulo. BfG is the only German bank that was engaged in the foundation of a bank in Israel: it holds 38 percent of the shares of the Israel Continental Bank at Tel Aviv, which has existed for ten years by now.

BfG's shareholders are German trade unions which hold directly or indirectly about 90 percent of its capital through Beteiligungsgesellschaft fuer Gemeinwirtschaft, a holding company of the trade union owned enterprises. □

Free State of Bavaria

BAVARIA, fertile soil for high-performance companies, is the largest of West Germany's federal states. Here, traditional values such as entrepreneurial drive, a strong work ethic, and highly skilled and motivated labor have resulted in economic growth rates considerably above the country as a whole: over the past two decades, Bavaria's GDP has increased by 25% more than the national average.

Although Bavaria is perhaps best known as a preferred vacation destination, the state also has a strong scientific tradition that includes such famous names as Max Planck, Nobel Prize winner in 1918 for the quantum theory; Conrad Wilhem Roentgen, the father of modern-day radiology; Rudolf Diesel, the inventor of the engine that bears his name; and Carl von Linde, a pioneer in refrigeration research. Today, Bavaria is one of Europe's leading centers of research. Its long tradition of scientific discovery is being furthered by a network of ten universities, ten technical col-

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leges, many vocational schools, nine of the thirty Max Planck-Institutes, the Fraunhofer-Gesellschaft, and numerous private firms active in advanced R & D.

Building on the double strengths of productive human resources and the state's rich scientific tradition, Bavaria has become one of Europe's major centers for firms active in high technology—especially modern electronics. Bavaria's technically advanced economy employs one-fourth of all Germans active in electronics—in fact, more are employed in R & D than in any other state. In addition, Bavaria is Germany's leading aerospace center, and excels in mechanical and automotive engineering.

The economy is healthy: more new jobs have been created over the past decade than in any other major German state—each year attracting on average over 20,000 new residents from throughout the country.

Bavaria has a stable government, committed to promoting business, to consistently strengthening the state's infrastructure, and to supporting educational and training facilities. Considerable public assistance is also available to encourage new investment, ranging from special tax writeoffs to regional business promotion plans. □

Bayer USA INC.

BAYER's presence in the United States was enhanced considerably recently by the formation of Bayer USA INC., a U.S. management holding company of Bayer AG, Leverkusen, West Germany. Bayer has been here since 1865, two years after the company was founded in Germany. What began with a small dyestuff plant near Albany, N.Y., has grown into a more than $4 billion business based on close partnerships with many branches of U.S. industry, including agriculture and health care.

Today, seven operating companies employing more than 20,000 people in more than 30 domestic production facilities, with total assets of about $3 billion, carry out Bayer activities in the United States. These activities, which account for about 25 percent of Bayer's worldwide sales, make the company one of the most diversified producers of chemicals and other products both here and abroad.

In the United States, Bayer has the following operating companies:

***Mobay Corporation**, Pittsburgh, Pa., began operations in the early 1950s to introduce polyurethane chemistry to the United States market. Since then the company has expanded into animal health care products, agricultural chemicals, coatings, dyestuffs, pigments, plastics, textile fibers, and inorganic, organic and rubber chemicals. Mobay has annual sales of about $1.6 billion, 6,500 employees and total assets of $1.2 billion.*

***Miles Laboratories, Inc.**, Elkhart, Ind., became part of Bayer in 1978. In its 100-year history, the company has established a solid reputation in the health care field and related sectors. With assets of $1 billion and 11,350 employees worldwide, annual sales amount to about $1.2 billion.*

***Agfa-Gevaert, Inc.**, Teterboro, N.J., is a leading producer of photochemical and phototechnical products, with two subsidiaries, about 1,400 employees, and about $420 million in annual sales.*

***Compugraphic Corporation**, Wilmington, Mass., is the world's leading supplier of hardware and software used in computerized typesetting equipment systems. The company has sales of about $400 million, employs 4,600 people and has total assets of $330 million.*

***Haarmann & Reimer Corporation**, Springfield, N.J. manufactures and distributes flavors, fragrances and aroma chemicals. With about 160 employees, Haarmann & Reimer has annual sales of about $30 million.*

***Helena Chemical Company**, of Memphis Tenn., is a major distributor of agricultural chemicals, with annual sales of about $410 million.*

***Deerfield Urethane, Inc.**, is a maker of polyurethane films, based in South Deerfield, Mass. The company, which is involved in the development of a wide range of film applications for coated fabrics, medical products, belting and others, has sales of approximately $15 million.*

Together these operating companies in the United States have full access to Bayer's global research capabilities.

The company's strong commitment to research is illustrated through annual R&D budgets averaging $750 million. □

HYPO BANK

Bayerische Hypotheken- und Wechsel-Bank
Aktiengesellschaft

In 1835, HYPO-BANK was established in Munich by royal decree of King Ludwig I of Bavaria. HYPO-BANK is Germany's oldest publicly-quoted bank and one of the largest with consolidated assets of more than DM 113 billion.

HYPO-BANK is engaged in both commercial and mortgage banking, operates the largest branch network in southern Germany and is also active nationwide in key business centers such as Berlin, Duesseldorf, Frankfurt, Hamburg, Hanover, and Stuttgart. The bank is a prime address for correspondent banking.

Its New York Branch offers a complete range of corporate banking services including prime and Libor-based loans, foreign exchange, money transfers, letters of credit and documentary collections as well as international private banking. Through other branches in Cayman Islands and London, its wholly-owned subsidiary in Luxembourg, representative offices in Brazil, Hong Kong, Italy, Mexico, South Africa, Spain and the United Arab Emirates and its partnership in ABECOR, HYPO-BANK offers financial services around the globe. Through its affiliation with ABD Securities, New York, its customers have direct access to the U.S. securities markets, brokerage and investment management.

For more information and a copy of our annual report, please contact the Banking Department, Wall Street Plaza, New York, N.Y. 10005, Tel.: (212) 248-0650 or the International Department, A/KAG-MIA, Theatinerstrasse 11, D-8000 Munich 2, Tel.: (089) 2366-8323, Telex: 5 286 525-27. □

Bayerische Landesbank

Girozentrale

BAYERISCHE LANDESBANK's origins date back to the late nineteenth century, and the Bank has grown into one of the leading banking institutions in West Germany. Headquartered in Munich, Bayerische Landesbank operates branch offices in New York, London, Singapore and a subsidiary in Luxembourg, as well as Representative Offices in Vienna, Toronto and Johannesburg. In addition, a Grand Cayman Branch as well as an International Banking Facility (IBF)—operating out of New York—supply offshore banking services.

Bayerische Landesbank, a public sector institution, is 50% owned by the State of Bavaria and 50% by the Bavarian Savings Bank's Association. The Association is owned by the savings banks, which in turn are owned by their municipalities. By statute, Bayerische Landesbank's obligations are jointly and severally guaranteed by its owners.

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Bayerische Landesbank's total assets now exceed DM 108 billion. The Bank has been accorded the highest ratings from both major U.S. agencies (Moody's P-1, Aaa; Standard & Poor's A-1+, AAA).

The Bank offers a wide range of financial services on a global basis. In Germany, it is one of the largest issuers of securities as well as a major corporate lender. Its primary strengths include a substantial DM deposit base and long-term, fixed rate DM loan capabilities.

Since establishing its Representative Office in New York in October 1979, and gaining full branch status two years later, in October 1981, Bayerische Landesbank has become a major wholesale lending participant throughout the country.

The New York Branch offers a full range of domestic and international financial services, including loans, foreign exchange and money market expertise, as well as documentary and collection capabilities.

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BAYERISCHE VEREINSBANK
AKTIENGESELLSCHAFT

BAYERISCHE VEREINSBANK AKTIENGESELLSCHAFT, incorporated in Munich as a commercial bank in 1869 and merged with Bayerische Staatsbank (founded 1780), today ranks fourth among the largest private-sector banks in Germany. Together with its mortgage subsidiaries, Bayerische Vereinsbank is the largest private-sector, long-term banking group in Germany. As of December 31, 1985, the Bank's balance sheet total stood at DM 77.3 billion, consolidated total assets at over DM 132.4 billion. Our ratings are as follows: P 1 (Aaa for long term rating) with Moody's and A-1+ with Standard & Poor's.

As one of the few banks specializing in both the commercial and mortgage fields, BV offers particularly diversified services. Headquartered in Munich, BV's domestic presence is weighted towards Southern Germany, in particular Bavaria, but the bank is also present directly in all business centers of North Germany. Bayerische Vereinsbank also holds interests in several well-known private banks in West Germany. The Bank's wholly-owned subsidiary BAYERISCHE VEREINSBANK INTERNATIONAL S.A., Luxembourg, is active in the Euromarket with a business volume of some DM 6.2 billion and a considerably improved income status.

International business is conducted by about 50 domestic branches as well as out of about 20 locations strategically placed around the world. Bayerische Vereinsbank also strengthened its market position in international financing and securities business, both at home and abroad.

North America was again a major focus of Bayerische Vereinsbank's international activities in 1983. The bank's network in North America is the largest of all German banks, with offices in New York, Chicago, Los Angeles, Atlanta and Cleveland, plus an IBF in Atlanta as well as a Eurobase in the Cayman Islands.

With over 400 branches and a staff of more than 11,000 employees, Bayerische Vereinsbank offers comprehensive domestic and international services tailored to the individual needs of its clients. The Bank is one of Germany's largest joint-stock credit institutions, and has about 67,000 shareholders. BV shares are traded on all German stock exchanges.

Boehringer Ingelheim

BOEHRINGER INGELHEIM CORPORATION, Ridgefield, Connecticut, is a health care company and the principal licensee of Boehringer Ingelheim International GmbH. A wholly-owned subsidiary of Pharma-Investment, Ltd., Toronto, Canada, Boehringer Ingelheim Corporation is a major chemical and pharmaceutical company which develops, produces, and sells a wide range of pharmaceutical specialties, veterinary medicines and biologicals, argicultural chemical products, and fine and specialty chemicals throughout the world.

Boehringer Ingelheim Corporation is the parent and sole stockholder of a number of companies, the largest of which is Boehringer Ingelheim Pharmaceuticals, Inc., Ridgefield and Danbury, Connecticut, an ethical pharmaceutical and consumer products developer and manufacturer. Its other companies include Roxane Laboratories, Inc., Columbus, Ohio, a pharmaceutical unit dose manufacturer; Boehringer Ingelheim Animal Health, Inc., St. Joseph, Missouri, a developer and manufacturer of veterinary medicines and biologicals; and a group of chemical companies, including Henley Chemicals, Inc., Montauk, New Jersey, fine and specialty chemical distributors; Infracorp Ltd., Petersburg, Virginia, a chemical engineering and service group operated in conjunction with Lee Laboratories, Petersburg, a joint venture with A.H. Robins, producing pharmaceutical chemicals.

The Boehringer Ingelheim Corporation has a strong commitment to the development, manufacture, and sale of significant new products for both human and animal health care. ☐

Die Sparkasse in Bremen

BREMEN—In the medieval tradition of opening up areas of trade for northern Europe, Die Sparkasse in Bremen—literally The Savings Bank in Bremen (SBB)—is oriented to the international trade that makes Bremen Germany's second-largest port and one of the continent's largest commodity trading places.

Nearly 60 per cent of the SBB's international business is in financing of German Imports as well as short, medium and long-term foreign trade financing with USA Far- and Near East. Why? Bremen has been one of the world's major seaports for more than 500 years. The history shows the business in Bremen. SBB has to serve the ex- and import oriented customers.

The Bremen Savings Bank is one of the most prestigious banking institutions in the whole of northern Germany, with a balance sheet total of DM 10 Billion. Despite the relatively limited area of Bremen itself, the bank has 87 branches and employs approximately 2,400 persons, of whom 250 or so are trainees. The SBB has its own training center. In its development SBB is today the strongest customer oriented commercial Bank in the region.

Its clientele maintains some 1.5 million accounts, both private and commercial.

The Bremen Savings Bank was founded in 1825 as a public institution to serve the region's interests and economy. It has done so continuously since that time; since 1924 its statutes allows foreign and international business. A substantial portion of German imports and exports go through the ports and the trading houses in Bremen, which are faciliated by that venerable bank in the Hanseatic City of Bremen: The Savings Bank in Bremen. ☐

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CARL G. BRIMMEKAMP & COMPANY, INC. (CGBCO) was established in San Francisco in 1962 and is now headquartered in the New York Metropolitan Area in Stamford, Connecticut, to be closer to the principal industrial and financial centers of the USA. CGBCO offers foreign industrial manufacturing and engineering companies easy access to the North American market, and, likewise, assists North American industrial firms to gain a foothold abroad with the help of affiliated companies in Belgium and the Federal Republic of Germany as well as agents in other companies.

This dynamic firm of professionals assists its foreign and North American clients in all phases of the transfer of technology and capital goods across the oceans.

CGBCO maintains conveniently located U.S. branch offices in the Chicago, Houston and San Francisco areas. To further expand its North American coverage for its foreign clients, new branches are planned in the South-East USA and the Toronto Metropolitan Area.

CGBCO's clients include well established engineering firms and highly specialized privately or publicly owned manufacturers of state of the art capital goods and technology who are seeking opportunities abroad or in the North American market place.

CGBCO's knowledgeable staff of engineers, as well as financial and marketing experts, is assisted by highly specialized outside consultants to help its foreign and North American clients to identify and attain the expert technological know-how necessary for their particular production requirements.

CGBCO's staff members come from the industries which they now service:

- pulp and paper
- chemicals and pharmaceuticals
- fibers and plastics
- energy and alternative fuels
- mining and cement
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- machine tools
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- manufacture under license
- contract manufacture in North America
- acquire total or partial equity in North American companies
- establish a North American company.

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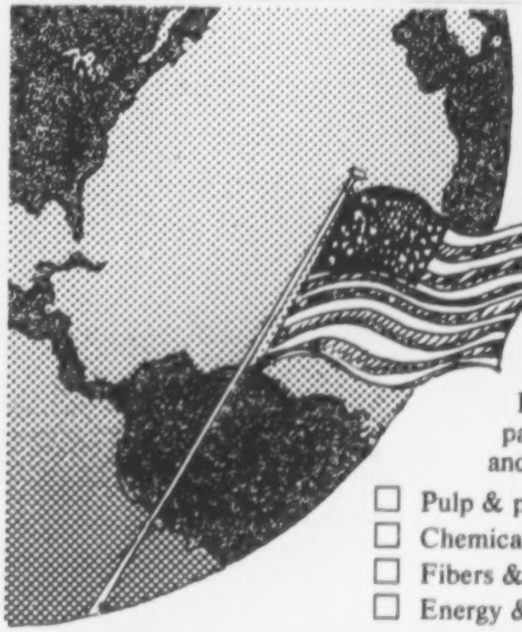
CGBCO can also facilitate financing, either through private or governmental sources.

CGBCO is also prepared to enter into joint venture arrangements with North American or foreign firms and can furthermore make available its office infrastructure and qualified personnel to its foreign clients for on-the-spot administrative, financial, procurement, manufacturing, marketing, sales and after sales service.



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CARRÉ, ORBAN & PARTNERS INTERNATIONAL is a firm of management consultants with offices in Amsterdam, Brussels, Düsseldorf, Geneva, London, Milan, New York, Paris, Rome and Zurich. The firm's clients are industrial, financial and service businesses as well as governmental and international organizations.

The prime objectives of Carré, Orban & Partners International are to bring professional, pragmatic and long lasting solutions to their clients' management problems and to assist clients in capitalizing on new business and technological opportunities.

The consulting practice includes senior level executive search, management appraisals of human resources and, to a lesser extent, the search for appropriate merger or acquisition corporate candidates. Each of these services requires the application of the firm's specialty of assessment and systematic search procedures.

Executive Search

This service assists clients in the selection of senior-level human resources. The firm works with clients to define the parameters of a given position in order systematically to search, evaluate, select, motivate and integrate the newly chosen executive into the client company. The firm also accepts assignments to identify and select outside board members.

Management Appraisals

This service guides clients in evaluating management structures and advises in times of strategy review during mergers, turnarounds or divestments. It includes analysis of management structure, evaluation of executive capabilities, and preparation of executive profiles.

Corporate Mergers and Acquisitions

The firm undertakes searches for acquisition or merger candidates, as well as searches for joint venture corporate partners. Such acquisition engagements assist clients in finding new businesses, new markets or new technological fields.

For more information, please contact: Richard W. Montague, Carré, Orban & Partner GmbH, Moersenbroicher Weg 31, D-4000 Duesseldorf 30, West Germany, Telephone (0211) 626651, Telex: 858-6726, Telefax (0211) 626656, or Tener R. Eckelberry, Carré, Orban & Partners, Inc., 230 Park Avenue, Suite 1624, New York, N.Y. 10169, USA, Telephone (212) 953-7722, Telex: 148-458, Telefax (212) 953-7417. □

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CHASE MANHATTAN serves the financial needs of its corporate and institutional customers throughout the world. At a time when the economies of the world are more interdependent than ever, Chase Manhattan is eager and able to pursue global opportunities.

Within Germany, Chase Manhattan has corporate bankers whose industry expertise include capital goods, electronics, automotive, mining and metals, energy, shipping and aerospace. Also, there are specialists in trade finance and international cash management.

Chase also serves, through its International Institutional Area, leading German banks. Chase facilitates the transfer of funds and letters of credit and participates in loan syndications. In addition, Chase AG acts as a local correspondent bank in the D-mark field for other foreign banks located in Germany.

Chase will continue to serve the needs of its corporate and institutional customers in Germany and around the world by developing top quality commercial and investment banking products and by maintaining a high calibre of service. □

CITICORP®

CITICORP, with its subsidiaries and affiliates, is a multinational financial services organization. Its staff of 81,300 people serves the financial needs of individuals, businesses, governments and financial institutions in approximately 3,000 locations, including branch banks, representative offices and subsidiary and affiliate offices in the United States (42 states and the District of Columbia), and 92 other countries throughout the world.

Citicorp's activities are organized around three customer-oriented core businesses: The Individual Bank, which focuses on serving the needs of consumers, and the Institutional Bank and Investment Bank, which work in conjunction to serve corporations, financial institutions and governments.

Citicorp had net earnings in 1985 of $998 million. Its assets reached $183 billion at mid-1986. While Citicorp puts little emphasis on this measure, this makes Citicorp the largest private sector banking and financial services organization in the world. Citicorp does emphasize the diversity and individual market leadership of its some 250 businesses around the world that contribute to this profitability and asset size. □

C&S®

THE CITIZENS AND SOUTHERN NATIONAL BANK (C&S) is an $18 billion bank headquartered in Atlanta, Georgia. Founded in 1887 in Savannah, Georgia, the C&S Bank grew and prospered by serving the financial needs of corporate and retail customers in the trade ports of Savannah and Charleston, as well as the commerical and agricultural regions of the South. Corporate headquarters were moved to Atlanta as the city assumed a definite role as the financial services, transportation and communications capital of the Southeast.

C&S today offers a full range of corporate and retail financial services through its 434 branch offices in Florida, Georgia and South Carolina. We serve the needs of our clients on a regional and national basis with support offices in Los Angeles, Chicago and New York. Our International Department has over 25 years experience in providing international services to the Bank's customers. C&S has developed an extensive network of approximately 1000 international correspondent banks with whom we work closely to ensure our customers world wide service. The International Department also maintains representative offices in Rio de Janeiro, Bogota, Santiago, Lisbon, Singapore and London (1987).

Capitalizing on the Bank's international experience and the broad support of our international correspondents, our specialized International Corporate Lending area services the growing needs of reverse investment companies doing business in the U.S. These foreign-owned firms look to C&S for traditional domestic financial services, as well as service in the specialized fields of Commercial Real Estate, Equipment Leasing, Factoring, Cash Management, Trust Services and Investments. C&S presently banks over 300 European and Canadian firms with manufacturing, sales and distribution facilities in Georgia, South Carolina and Florida. Among these are approximately 100 German and Swiss companies. While we count among our customers some of Germany's largest corporations, an increasing number are middle market firms with minimal U.S. experience who welcome the guidance which we as a major regional bank can give them. □

COMMERZBANK

Founded in 1870, COMMERZBANK soon became a leading force in German banking. Today, it ranks third among the "Big Three" German commercial banks, providing an extensive range of services for its almost 2.7 million customers at home and abroad. Its consolidated total assets as of September 30, 1986 reached nearly DM150bn, with its capital and reserves amounting to more than DM4.76bn. As of that same date, the Commerzbank Group maintained a network of almost 900 branch offices at home and abroad, employing nearly 25,000 people.

Commerzbank is strongly engaged in all kinds of commercial, investment, and merchant banking, while also being active as a broker/dealer. Emphasis in commercial banking used to be on short and medium-term loans, but more recently long-term lending has increasingly become significant, too. Although the bank has always considered wholesale banking as one of its particular strong points, retail banking has also experienced rapid growth over the past 25 years and now accounts for roughly half of the bank's business at home.

Commerzbank's domestic presence is reinforced by some 20 banking and financial associates, the most important of which are RHEINHYP-Rheinische Hypothekenbank, a leading German mortgage bank, and Berliner Commerzbank, the bank's West Berlin subsidiary.

Non-domestic activities today add up to approximately one-third of Commerzbank's total business, stretching from trade and corporate finance to syndication business and project finance, while also including foreign exchange and interest swaps, currency options and sophisticated cash management services.

The bank's international presence extends to about 70 foreign outlets and holdings in over 30 countries. Operative units, which concentrate on wholesale business, are maintained in all the major international financial centres, where thirteen branch offices and four wholly-owned subsidiaries are maintained. In addition, the bank runs 16 representative offices and has numerous holdings in foreign financial institutions.

Commerzbank has always maintained especially close relations with the U.S. In 1971, it transformed its New York representative office—which dated back to 1967—into an operative unit, thus becoming the first German bank to open a full-service branch in the country. It expanded its U.S. presence by establishing another branch office in Chicago in 1974 and an agency in Atlanta in 1979. Commerzbank's latest move in the U.S. was the opening in the autumn of 1985 of an office in Los Angeles. □

Coopers & Lybrand

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ture can succeed in its new environment. COOPERS & LYBRAND understands that this "cultural transplant" needs a great deal of tending and has designed a special program for both German investors and German companies with U.S. operations.

Our network of 90 U.S. offices is staffed with partners experienced in both start-up and well established businesses. All our people are business people who approach work with one overriding goal: to help your company succeed. We have the financial and management experience to make your German business a success in America.

Our special program for German companies is led by James W. Zug, John T. Rudden and Bernhard Westermann, who are fluent in German and travel to Germany regularly. They have already helped many large and small German companies establish new operations and make acquisitions in the U.S.

To help you become part of your new environment quickly, Coopers & Lybrand can provide you with introductions to banks, attorneys and members of the local business community.

Because of Coopers & Lybrand's expertise in different industry groups, we can also advise you on the economics and problems facing specific industries in the U.S. We will keep you abreast of changing rules and regulations from Washington and guide you through the complex maze of actuarial, benefits and compensation regulations.

Through its member firm, Treuhand-Vereinigung AG and its subsidiary, Karoli-Wirtschaftspruefung GmbH, Coopers & Lybrand maintains offices in Berlin, Cologne, Essen, Frankfurt, Hamburg, Karlsruhe, Munich, Pirmasens, Stuttgart and Kassel.

For further information, contact James W. Zug, Coopers & Lybrand, 1900 Three Mellon Bank Center, Philadelphia, PA 19102, Telephone: (215) 587-5021, TWX: 710-670-1885; or, John T. Rudden, Coopers & Lybrand, 80 Park Plaza, Newark, NJ 07102, Telephone: (201) 621-1288, TWX: 710-995-4740, Telex: 138461; 1251 Avenue of the Americas, New York, NY 10020, Telephone: (212) 536-2976, TWX: 710-581-4544, Telex: 423552 (international) □

DG BANK

DG BANK is a German wholesale bank headquartered in Frankfurt with an extensive international network. The bank provides comprehensive commercial and investment banking services and acts as central bank and international arm for the German cooperative banking system.

Total assets of the whole German cooperative banking system at year-end, 1985, were DM 507.7 billion (U.S. $206.3 billion). The system is owned by 10.3 million shareholders and consists of 3,660 local banks with close to 20,000 offices, seven regional banks, DG BANK and a number of financial services companies, specialized in leasing, facturing, insurance, mortgages, etc.

In the United States, the Bank operates through a branch in New York (which celebrated its tenth anniversary in the Spring of 1986), an agency in Los Angeles, and—since earlier this year—a representative office for the Southeast in Atlanta, GA.

In 1985, the New York branch received authorization to take up trust business in addition to its wide range of commercial banking services for corporate, institutional and private clients. DG BANK also established the DG Securities Services Corporation in New York, a wholly-owned subsidiary acting as broker, investment advisor, and portfolio manager for American institutional investors interested in non-U.S. securities.

Other highlights of the year under review were record operating profits for both the DG

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BANK and its consolidated Group, and the acquisition of the current banking business of BRZ Bank of Munich, previously one of the regional banks of the German cooperative system. The consolidated assets of the DG BANK Group increased by almost 25 percent to DM 103.7 billion (the equivalent of U.S. $42.1 billion); without BRZ, which is being continued by a newly formed Bavarian division under the name of "DG Bank Bayern", total assets of the Group would have risen by some 10 percent. As the acquisition became effective December 31, 1985, neither the Bank's nor the Group's income statement for last year includes income from the business taken over.

The Group net profit increased by 64 percent to DM 192.4 million (U.S. $78.2 million). DM 139 million was allocated to the Bank's published reserves, which together with an increase in share capital of DM 350 million brought its equity capital up to DM 2.3 billion (U.S. $934 million). The shareholders again received a 5 percent tax free dividend. ☐

DANZAS

DANZAS GmbH, one of the big forwarding organizations in Germany is a wholly owned subsidiary of DANZAS AG, Basle and was founded in 1919. Today we have 75 offices in the Federal Republic of Germany, including West Berlin.

Special divisions for air- and seafreight and for project shipping worldwide, specialized departments for food transports as well as for Trade Shows in Germany and abroad guarantee a high measure of competency and experience. As one of the largest forwarders, we offer a full range of transportation.

We know the competing carriers and we are able to match special demands and their special requirements. Being independent, we are not obligated to any carrier.

DANZAS GmbH cooperates with the whole DANZAS network internationally in Europe and overseas. We are represented in all 5 continents with more than 500 DANZAS offices and 10,000 employees.

In addition, our commercial delegations in the U.S.A. (among others in New York, Atlanta, Charlotte, Greenville-Spartanburg, Los Angeles, Miami and Richmond) hold a tight contact with our customers.

The Alltransport Inc., part of the DANZAS Group and headquartered in New York, has branches in Baltimore, Chicago, Houston, Los Angeles, New Orleans, and Norfolk. Another subsidiary is the Seaway Forwarding Corp. in Cleveland and Toledo.

The entire DANZAS organization guarantees professional handling for all door to door forwarding requirements across international boundaries.

To offer our client up-to-date handling in documentation and communication, we use the most advanced equipment to communicate around the world.

We will continue to serve our customers efficiently in the future and to help them save money in the field of transportation, because this is our market. ☐

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- Management consulting
- Actuarial, benefits & compensation consulting

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In Germany, Dart's affairs are handled by the HSG organization with offices in all leading cities. In the U.S.A., the General Agents are Seapac Services with over twenty-five convenient offices throughout the country.

As a member of the ANEC and NEAC conferences, it provides Port/Port as well as Point/Point single factor and zip code services.

Degussa

DEGUSSA AG, founded in 1873 in Germany, has grown from a refiner of gold and silver coinage to an international leader in the development and manufacture of chemical, precious metal and pharmaceutical specialties with worldwide annual sales exceeding $4.3 billion. In addition to maintaining numerous plants and research and development laboratories in the Federal Republic of Germany, Degussa supplies intermediate products from manufacturing facilities in 21 countries throughout the world.

Degussa Corporation, the American subsidiary of Degussa AG, supplies technology, services and products used in diverse domestic industries such as agriculture, automotive, ceramic and glass, dental, electronic, health care, plastic and textile. Production plants in the United States are located in Alabama, California, Kentucky, New Jersey, New York and Pennsylvania.

A number of major investment projects were initiated which provide excellent prospects for further growth during the balance of the decade. Ground was broken in July 1985 and construction is now well under way for a hydrogen peroxide plant at the company's Alabama manufacturing complex. Start-up is scheduled for spring 1987. An announcement was also made of the intent to build at the same location an 11,000 ton per year production unit for Ultraform®, the polyacetal resin made and marketed by the partnership of BASF and Degussa. A new Applications Research and Technical Service Laboratory began operation in September 1985 in Allendale, New Jersey, in close proximity to Degussa Corporation's Teterboro headquarters.

Degussa Dental Inc., a 100% owned subsidiary since 1979, exceeded its goals in 1985. Continuation of this upward trend in growth and performance is anticipated in the future. Vitachem Company, a joint venture with Reilly Tar & Chemicals for the production of Niacinamide, again increased its market share and generally benefited from improved manufacturing capabilities instituted during the year. The North America Silica Co., a joint venture with the PQ Corporation, successfully completed its first full year of operation with rapid acceptance of its precipitated silica products by major customer groups. Quantities formerly imported from Germany are being replaced with shipment from this new domestic source.

In mid-1986, Degussa acquired Metz Metallurgical Corporation, South Plainfield, N.J., a manufacturer of products containing precious metals for use principally in the electronics, electro-technical and photographic industries. The company is also involved in precious metals recovery. The acquisition of Metz will provide a considerable boost to Degussa's involvement in precious metals activities, particularly in the USA.

Deutsche Bank

A century of universal banking

DEUTSCHE BANK AG, headquartered in Frankfurt/West Germany, is the largest bank in the Federal Republic of Germany with total assets as per December 31, 1985 of DM 237.2 ($96.4) billion, deposits of DM 215.6 ($87.6) billion and stockholders' equity of DM 9.4 ($3.9) billion. Together with its consolidated subsidiaries it is also one of the world's leading banking institutions.

The Bank is engaged in a full range of commercial banking activities such as providing credit of all types and maturities and accepting deposits. In addition, the Bank is active in underwriting, distributing and trading securities and holds equity investments in some of the country's leading industrial corporations. The Bank's consolidated subsidiaries are engaged in mortgage lending, sales financing, investment management, property management, leasing and construction financing. Through Deutsche Bank Compagnie Financière Luxembourg, the Bank is one of the leading institutions involved in Euromarket lending and loan syndications.

Its network of domestic and international offices and affiliates has been consistently expanded and its cooperation with more than 4,000 correspondent banks throughout the world has been steadily intensified.

The New York branch of Deutsche Bank was established in 1978. The branch is involved in commercial wholesale banking with an emphasis on short and medium term lending, trade finance, international documentary business, foreign exchange and money market dealings. Offshore activities are channeled through the International Banking Facility (IBF) and Cayman Islands Branch. Representative Offices are maintained in Chicago and Los Angeles.

Also since 1978 the Bank has been active in the U.S. in sales financing through its now wholly-owned subsidiary Deutsche Credit Corporation (Deerfield/Illinois) which emphasizes asset based financing and capital equipment leasing. Deutsche Bank is also engaged in U.S. investment banking through its wholly-owned subsidiary Deutsche Bank Capital Corporation (see separate profile). In Canada services are carried out by a wholly-owned subsidiary and a representative office, both in Toronto.

By late 1985 Deutsche Bank had 15 branches, 19 representative offices and 10 wholly-owned affiliates abroad. Group staff numbering nearly 48,900 at 1410 branches work for 6.5 million customers all over the world: individuals, large and small corporate customers, banks, public authorities, states and supranational institutions.

Deutsche Bank Capital Corporation

DEUTSCHE BANK CAPITAL CORPORATION, originally established in 1970, is a U.S. investment banking firm, wholly owned by Deutsche Bank AG. Deutsche Bank Capital employs about 140 professionals and staff employees.

The corporate finance activities of Deutsche Bank Capital include: the management of debt and equity public security offerings in the U.S. and international markets; the private placement of debt securities with U.S. and non-U.S. institutional investors; advising European companies in making acquisitions of U.S. companies; specialized corporate financings, such as tax-exempt Industrial Revenue Bonds to finance plant and equipment in the U.S.; lease, leverage lease, and currency hedge financing and financial advisory services, especially in connection with corporate acquisitions in the United States.

In the last five years Deutsche Bank Capital has managed or co-managed well over 400 different transactions including U.S. private placements of debt and equity, public offerings, Industrial Revenue Bond offerings, Pollution Control financings and lease financings. In addition, the firm served as a financial advisor to numerous European companies which made acquisitions of U.S. public and privately owned corporations.

The firm's Swap experts in New York join with their Deutsche Bank counter-parts in Frankfurt, London and Tokyo to identify and structure swap transactions best suited to each client. Funding opportunities as well as investment alternatives multiply through the use of interest rate and currency swaps.

The underwriting activities of Deutsche Bank Capital consist of participations in most domestic and international syndicates, formed for the distribution of securities. In the past two years, Deutsche Bank Capital participated in over 500 domestic and foreign underwritings with commitments in excess of 1.5 billion dollars. These commitments were placed with financial institutions around the world.

The Stock Trading Department makes a market, trades as principal, and has an important agency order execution capability in American securities. Deutsche Bank Capital has been a member of the New York Stock Exchange, where the firm executes the majority of its orders. The firm is also a member of most regional stock exchanges.

The Bond Trading Department makes active markets in U.S. domestic debt securities with special emphasis on "Yankee Bonds" and "Eurobonds," dealing with a broad range of institutional investors, who are served by a special bond sales group.

The firm's Money Management Services cater to private and institutional clients, including U.S. Pension Funds, desiring to have the U.S. Dollar portion of their assets managed and supervised on a discretionary basis.

The International Department markets non-U.S. dollar instruments, especially those denominated in Deutsche Marks, to institutional clients who seek international portfolio diversification.

Deutsche Bank Capital Corporation's wholly owned subsidiary, Atlantic Capital Corporation, is engaged in leveraged buy-outs and venture capital transactions. □

Deutsche Credit
Corporation

DEUTSCHE CREDIT CORPORATION, a Chicago based commercial finance company with a nationwide network established in 1978, is a wholly owned subsidiary of Deutsche Bank AG and a major source of asset based financing or leasing for domestic and international companies.

The comprehensive range of financial services offered by Deutsche Credit Corporation includes custom-designed financing programs in areas like capital equipment loans, leasing, leveraged leasing, conditional sales financing, floorplanning and private label financing. These wholesale and retail marketing programs can accommodate manufacturers, dealers/distributors and end-users.

Deutsche Credit Corporation focuses on financing capital goods produced by the following industries: Aircraft, Communications, Construction Machinery, Data Processing, Electronic Instrumentation, Machine Tools, Material Handling, Medical Equipment, Mining, Printing and Graphic Arts, Transportation, Vessels and more.

Headquartered in Deerfield, Illinois (a Northwestern suburb of Chicago), Deutsche Credit Corporation employs 160 professionals in the head office and its regional and district offices, located in major cities such as Atlanta, Chicago, Dallas, Minneapolis, Philadelphia and San Francisco. Through the firm's marketing representatives, based in twenty major industrial areas across the United States, Deutsche Credit Corporation is able to provide efficient financial service to its corporate clients nationwide. □

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Deutsche Credit
Corporation

DEUTZ CORPORATION is an American subsidiary of Kloeckner-Humboldt-Deutz AG(KHD) of Cologne, West Germany. Headquartered in Atlanta, Georgia, Deutz markets air-cooled diesel engines from 3.5 to over 500 hp for construction, industrial, forestry, military, mining, oil field, rail maintenance, concrete pumping, welding, agricultural equipment and for powering medium trucks.

The parent company, Kloeckner-Humboldt-Deutz AG, is one of the oldest and largest engine manufacturers in the world. It manufactures both air- and liquid-cooled diesel engines, turbines and jet engines. KHD also manufactures tractors and agricultural equipment and designs and manufactures machinery, as well as complete industrial plants for processing raw materials.

Top model lines for Deutz include the FL912-913 AirDiesel and the FL511. These two families provide power outputs from 20 to 160 hp. The FL912/913 AirDiesel has been a consistent best seller for Deutz, with precursor models in production since 1952. The FL511 line features a compact design that combines light weight with high output.

Deutz engines have been marketed in the United States since 1876, with Deutz marketing directly since 1951.

Today, the Deutz parts and service network includes over eighty distributor locations and more than 450 dealers across the continent. With sales and central parts facilities in Atlanta, Deutz is well situated to serve the needs of the North American market. ☐

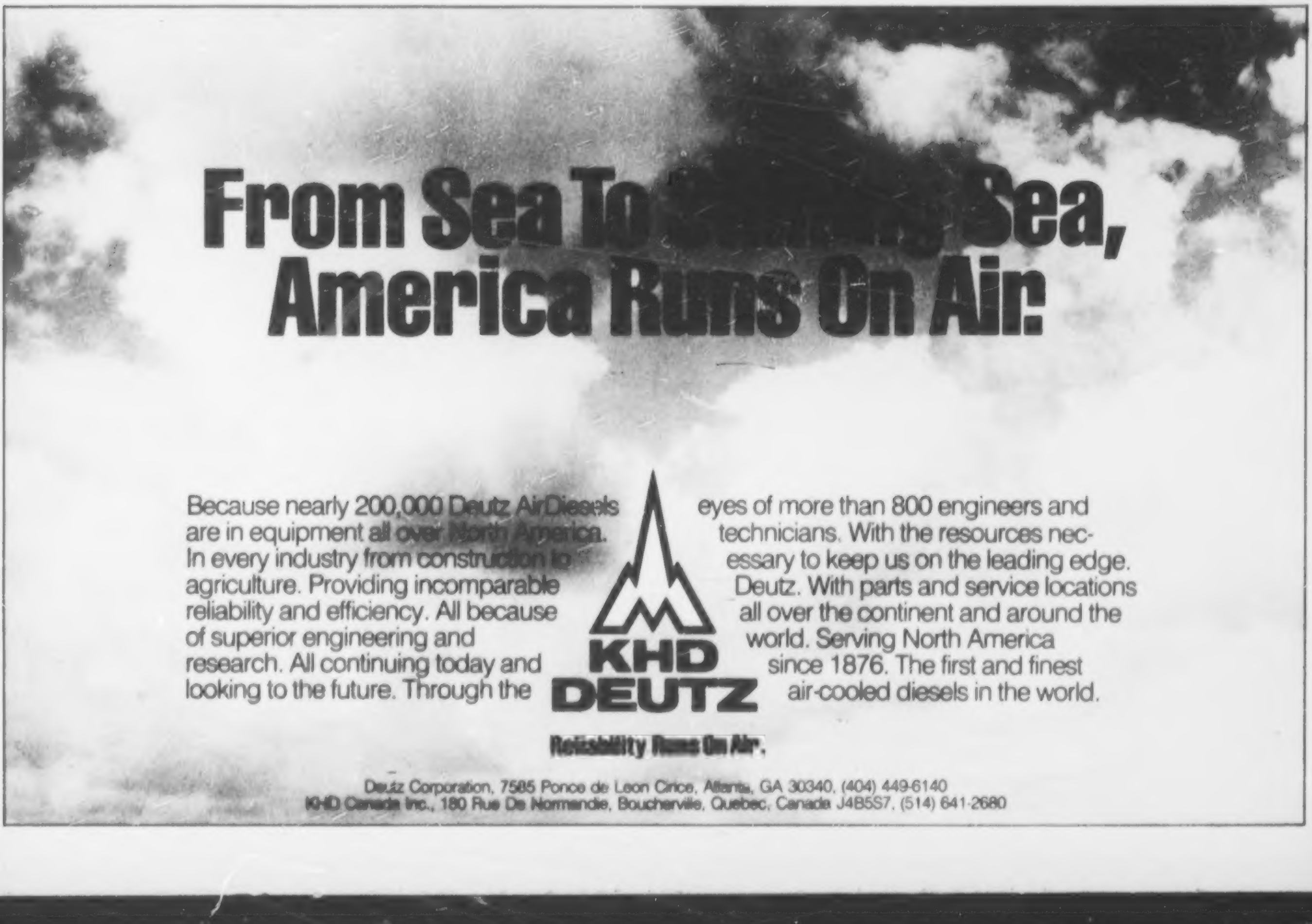
DRESDNER BANK AG was established in Dresden in 1872 and is now headquartered in Frankfurt, West Germany. With a world-wide consolidated business volume of the Dresdner Bank Group of approximately DM 190 billion, the company ranks among the largest banks in the world.

As a "universal bank," the Dresdner Bank offers the full range of banking services. Internationally, the bank specializes in investment advice and in the management of mutual funds and of pension funds. It also holds a leading position in placing bond issues floated by foreign issuers, and in introducing the shares of foreign corporations to German stock exchanges. The bank also plays a significant role in the foreign exchange and money businesses as well as in gold coin and in bullion trading.

As Dresdner Bank has been internationally orientated from the very beginning its foreign business makes up about a third of total business volume. Decades of experience, a network of branches and representative offices abroad, and co-operation with over 5,000 correspondent banks all over the world enable the bank to back the industry in their international business. As syndicate manager Dresdner Bank has organized the financing of numerous large-scale projects in several countries. Of significance is furthermore the Bank's leadership in financing the sales of the European Airbus A 300 and A 310.

Dresdner Bank was the first German bank to establish, in 1967, a subsidiary in Luxembourg, Dresdner Bank International, which successfully engages mainly in international finance, securities, money market, foreign exchange and precious metals business.

In recent years the Bank has strongly intensified its involvement in the United States and maintains fully operating Branches in New York, Chicago and Los Angeles and Repre-



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sentative Offices in Houston, Texas, and Miami, Florida. With its 75% participation in ABD Securities Corporation, New York, Dresdner Bank has also gained a good position in the American brokerage and investment business for U.S. as well as German customers.

Dresdner Bank meets the needs of its customers in dealing with the increasingly more specialized problems arising in international business by offering an individualized advisory service backed up by vast connections including offices in more than 50 countries on all continents.

We are happy to serve our customers at home and abroad. □

EM INDUSTRIES, INC.

EM INDUSTRIES' business will reach a volume of $90 Mil. in 1986 and is channeled through four operating divisions:

The PIGMENT DIVISION supplies pearlescent pigments for cosmetic and industrial applications. These pigments are produced in a new facility in Savannah, GA, which was constructed in 1979 as the first phase of a new chemical complex.

Among the industrial applications, the major target group is the automotive industry, where new exterior colors have been created with the pigments produced by EM Industries. Other markets are the plastics, wallpaper and textile industries.

As to the cosmetical use, the RONA PEARL business group is handling this product line. The pearlescent pigments add an iridescent glow to powders, eye shadows, blushers, lipsticks, liquid makeups, nail enamels, cream, shampoos and soaps.

The ADVANCED CHEMICALS DIVISION supplies sophisticated specialty chemicals to a variety of high technology industries. Interesting products include photoresists for the semiconductor industry, liquid crystals for display manufacturers and monocrystals for optical applications. Recently EM Industries acquired the OPTOVAC group of North Brookfield, Mass., which is a domestic manufacturer of optical crystals.

The EM SCIENCE Division was initially based on the acquisition of MCB Manufacturing Chemists of Cincinnati, Ohio. MCB is one of the oldest, most respected names in the field of laboratory chemicals. MCB had been able to extend its product offerings with the addition of fine laboratory products from E. Merck, Darmstadt, the largest worldwide supplier of high purity chemicals. MCB manufactures and sells close to 4,000 products for analytical and research purposes in industrial, educational and government laboratories.

From 1980 to 1984 EM Science was also, through its Harleco group, involved in the clinical chemistry market. These activities were discontinued and transferred into a new diagnostic company, EM DIAGNOSTIC SYSTEMS, INC., which E. Merck, Darmstadt, formed in the United States with participation of an American group of experts in this field.

The FINE CHEMICALS DIVISION in turn supplies a range of high purity chemicals to the pharmaceutical and food industry, which includes traditional vitamin compounds like Vitamin C, where E. Merck, Darmstadt, is one of the world's largest manufacturers.

In addition to these commercial activities, EM Industries conducts clinical research for the Pharmaceutical Department of E. Merck, Darmstadt, and is testing new plant protection products developed by Celamerck of Ingelheim, Germany. □

EM INDUSTRIES, INC.

THE US ASSOCIATE OF E. MERCK, DARMSTADT / GERMANY

PIGMENT DIVISION

5 Skyline Drive
Hawthorne, NY 10532
Tel. (914) 592-4660
Telex 178 993

ADVANCED CHEMICALS DIVISION

5 Skyline Drive
Hawthorne, NY 10532
Tel. (914) 592-4660
Telex 178 993

EM SCIENCE

111 Woodcrest Road
P.O. Box 5018
Cherry Hill, NJ 08034-0395
Tel. (609) 354-9200
Telex 902 556

FINE CHEMICALS DIVISION

5 Skyline Drive
Hawthorne, NY 10532
Tel. (914) 592-4660
Telex 178 993

EM INDUSTRIES INC., 5 SKYLINE DRIVE, HAWTHORNE, NY 10532

EIMELDINGEN

EIMELDINGEN Corporation, a wholly-owned subsidiary of Maschinenfabrik Eimeldingen in Eimeldingen, West Germany, was founded in 1979 in Indianapolis, Indiana. Eimeldingen is one of the world's largest manufacturers of ultra-precise rotary machine tool tables. . .dividing, graduating and coordinate tables. . .required for extremely accurate machining, measurement and inspection.

Eimeldingen's internationl reputation for extreme precision is acknowledged and utilized by industries manufacturing aerospace equipment, aircraft, helicopters, automobiles, generators and turbines.

This prestigious international company was founded in 1932 in Stuttgart as a designer and manufacturer of automatic transfer machines. In 1945, a new production facility built in Eimeldingen, West Germany, started manufacturing vises; various tilting and rotary movement workholding pieces—necessary for a retooling industrial nation—resulted from these original vises.

In the 50's when industry required precision measuring and inspection tables, Eimeldingen designed and manufactured rotary and rotary tilting tables to meet these requirements. In the early 1970's, Eimeldingen's rotary machine tool table was interfaced with other industrial operations, including numerical control capabilities. This served to open the OEM market for Eimeldingen precision rotary tables, which were being widely used for production purposes; since 1975, nearly 80% of all Eimeldingen products have been used in a production function, with sales to all Western countries.

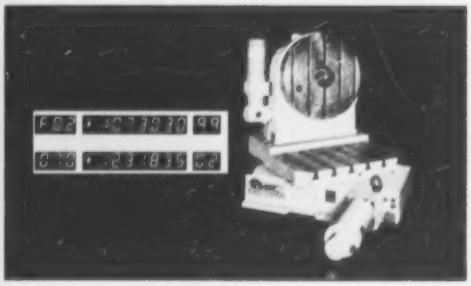
Eimeldingen Ltd. was opened in 1977 as a sales and service facility to accommodate Great Britain and the British Isles. Eimeldingen/Indianapolis was established in 1979 to provide the international firm with yet another manufacturing facility. Eimeldingen provides exceptionally qualified design and electronics personnel to build custom rotary machine tool table orders to the most exacting specifications. In 1983, Eimeldingen introduced Flexible Manufacturing System (FMS) and FMS components for parts machining, loading and handling applications. Eimeldingen FMS components and systems provide an automated, continuous flow of parts to and from various production operations, such as machining centers and vertical turret lathes.

SIP machining centers—recognized worldwide as the leader in precision machining centers—in combination with technically qualified personnel make it possible for Eimeldingen/Indianapolis to provide the United States market with the same precision industrial manufacturing equipment as that built in Europe. ☐

APPLICATION PROVEN PERFORMANCE

EIMELDINGEN
INDIANAPOLIS

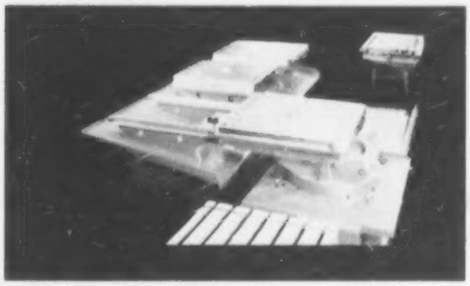
PRECISION MACHINE TOOL TABLES



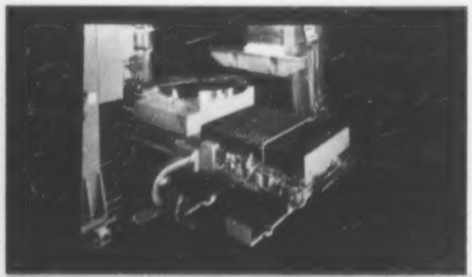
Eimeldingen provides several approaches toward precise work-piece positioning:
- ✓ Dividing, graduating and coordinate tables
- ✓ Horizontal, vertical and fully inclining tables
- ✓ Mechanical vernier, optical or digital readout
- ✓ Numerical control and automatic indexing
- ✓ Motorized rapid traverse combined with manual positioning, or infinitely variable-speed drive
- ✓ Accuracy: from ± 20 sec. of arc to ± 1 sec. of arc
- ✓ Sizes: 8" to 160"; larger sizes upon request
- ✓ Capacity: to 80 tons and over

FLEXIBLE MANUFACTURING COMPONENTS

Eimeldingen FMS components provide a fully automated flow of parts to and from machining operations:
- ✓ Interface directly with most existing or new horizontal & vertical machining centers & VTLs
- ✓ Machines of different manufacturers with different capabilities can be integrated to form a fully automated machining cell
- ✓ Installation involves minimum machining production downtime . . . without touching the interior mechanics of the machine itself



SPECIAL APPLICATION EQUIPMENT



The name EIMELDINGEN has been synonymous with precision production instruments to more than 20 markets . . . worldwide . . . for over 30 years. Eimeldingen also designs, manufactures and installs special application equipment—to exacting customer specifications. The photo shows an Eimeldingen motion system designed for the aerospace industry; the system is precise to 5 arcsec. in rotation and to 40 micrometers in elevation and translation. Contact EIMELDINGEN/Indianapolis to discuss your special application equipment project.

EIMELDINGEN CORPORATION
302 SOUTH HARDING STREET • INDIANAPOLIS, IN 46222
PHONE: (317) 638-0298 • TELEX: 276117

FAG

FAG BEARINGS CORPORATION is an international organization whose trademark is a worldwide symbol of quality and dependability in the design and manufacture of bearings in all sizes and configurations. FAG is recognized as the signature of one of the world's oldest and largest manufacturers of precision ball and roller bearings. Since 1883 FAG has led the way in the development and refinement of bearing design and technology. Today, FAG employs over 29,000 people in branches and affiliate plants in the U.S.A., Canada, Brazil, Germany, Austria, Switzerland and Portugal. There are, in addition, FAG sales and service offices and distributors in more than 100 countries.

FAG headquarters in the U.S.A. are located in Stamford, Connecticut, where a full complement of administrative, marketing, engineering and distribution personnel service the American market. The chief U.S. production facility is in Joplin, Missouri. After undergoing extensive expansion, the Joplin plant has been producing an extended range of bearing types in sizes hitherto never produced in the U.S. FAG's capabilities in bearing design and manufacturing are second to none. From automobiles to steel furnaces, farm machinery to spacecraft, FAG is ready to provide bearings, housing, accessories and components, whatever and wherever the need. ☐

Feralloy CORPORATION

FERALLOY is a pioneer in the steel processing industry. Over thirty years ago, Feralloy began operations in Chicago with one coil slitting line and a large commitment to customer service. Today, Feralloy serves the steel processing needs of the entire United States through six nationally located processing facilities.

From these six locations, Feralloy operates sheet steel processing equipment that includes thirteen coil-slitting lines and five cut-to-length sheeting lines.

Feralloy's six processing facilities can be found in the following locations:

- Chicago, Illinois
- New Castle, Delaware
- Birmingham, Alabama
- Granite City, Illinois
- Cleveland, Ohio

and Feralloy's new company is:

- Feralloy West Company,
  Pittsburg, California

The Feralloy of today is one of the largest, most experienced steel processing companies in the country. All of Feralloy's processing facilities are designed for high-volume, fast turn-around, quality coil and sheet production. Utilizing precision engineered machinery to yield processed sheet and coil steel, Feralloy produces a product that is consistent with the highest statistical quality control standards.

Feralloy's innovative warehousing program inventories a variety of master coils according to customer specifications and schedule requirements. Controlling this inventory is a uniquely designed Data Processing System that selects coils from Feralloy's large warehouse inventory. After this selection process the master coils are then cut to size, inspected to assure quality control and then shipped either J.I.T.'s (just-in-time) or by using tight scheduling to meet changing business conditions.

Feralloy is now processing over 500,000 tons of sheet steel a year and has a capacity to store and process twice that amount.

Over the past thirty years, Feralloy has established the credibility necessary for a supplier to become an integral part of the customers production operations.

Feralloy has a commitment to customer service and dedication to respond to customer needs. Supported by the financial strength needed to carry inventory and provide modern facilities, Feralloy has earned an excellent reputation based upon integrity. ☐

FESTO

FESTO is well-known as a leading, global manufacturer of high quality pneumatic components and controls, providing the worldwide industrial community with innovative, low-cost solutions to industrial automation applications.

FESTO serves large and small OEM's and end-users in virtually every industry—robotics, electronics, automotive, pharmaceutical, machine tools, packaging, etc.—by offering automation solutions for all stages of production, from processing to assembly, testing and packaging.

Founded in 1924 by Gottlieb Stoll, FESTO used pneumatics to manufacture its line of woodworking machinery. By 1958, the increased application of pneumatics led to the establishment of a separate pneumatics division.

FESTO has since grown under the leadership of Mr. Kurt Stoll and Dr. Willfried Stoll, sons of the founder, to become a global corporation with manufacturing/sales facilities in 48 countries. World headquarters, central R & D and the main manufacturing plants are located in Esslingen, West Germany.

The large U.S. market for automation has supported rapid growth for FESTO. From a simple warehouse operation in 1972, FESTO has grown to encompass six regional centers and a network of 45 nationwide independent distributors. Recent expansion of the U.S. headquarters and cylinder manufacturing plant in New York has doubled FESTO's capacity to serve its customers.

The three major business divisions:

FESTO PNEUMATIC: The comprehensive product range includes over 3000 pneumatic components in 12 broad family categories from valves and cylinders to fittings and tubing. FESTO's pioneer role as an innovator was demonstrated with the introduction of the "Power Valve Card" concept—bridging the compatibility gap between electronic controls and fluid power actuators.

FESTO ELECTRONIC: FESTO Electronic offers a family of programmable controllers based on the concept of modular design. Designed for small to medium sized automation control applications, the "FPC" Series Programmable Controllers feature maximum flexibility and adaptability to customer requirements.

FESTO DIDACTIC: Reflecting today's integration of control technology, the FESTO Didactic program of seminars and training packages offer industry and educational institutions a complete, field-proven system of basic and advanced training (software and hardware) in pneumatics, hydraulics, hybrid controls, PLC's and robotics.

With its comprehensive product range and its global experience in applying pneumatics and electronics to automation problems, FESTO in uniquely able to serve its customers as a single-source partner for increased productivity. ☐

First Boston

THE FIRST BOSTON CORPORATION, headquartered in New York City, is a full-service international investment bank. As financial intermediary, we are in constant contact with both the suppliers and users of capital worldwide; moreover, we strive to be consistently creative in our approach to meeting their financial and strategic objectives. Our market making and trading activities cover the complete range of securities of corporations, financial institutions, and governments and their agencies, 24 hours a day. We seek to offer not only innovative ideas for raising capital and solving complex financial problems, but also to provide unparalleled resources for executing transactions.

First Boston established a unique affiliation in 1978 with Credit Suisse First Boston (CSFB), a leading London-based merchant bank. Together, First Boston and CSFB offer comprehensive international investment banking and securities trading services. First Boston and CSFB are consistent leaders in

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Companies on the move know from experience that the chances of doing business profitably are greatly improved if they operate from a base that is also on the move – where decision-making comes naturally.

That's why so many domestic and international companies have selected Frankfurt, West Germany's financial and commercial capital.

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raising capital worldwide, as well as a dominant trading force in the world capital markets. Through our alignment with CSFB-Effectenbank in Frankfurt, we are the only U.S. investment bank also to offer unlimited flexibility in meeting the particular needs of German and non-German companies in the DM-denominated securities market.

First Boston also provides specialized corporate finance advisory services. First Boston's "German Desk"—established in 1981—tailors its comprehensive capabilities for our expanding German client base. For example, First Boston is preeminent in merger, acquisition, takeover defense and divestiture activities. Over the past eight years, we have assisted domestic and international clients in transactions exceeding $160 billion in value, including both large and small assignments and discreet advisory projects. First Boston's Project Finance Group—the first of its kind on Wall Street—has worked on more than 300 domestic and foreign project assignments, and raised more than $16 billion for projects in all relevant world capital markets.

In total, we leverage our expertise and presence in the world's capital market to the benefit of each client by capitalizing on opportunities whenever and wherever they occur. ☐

FRANKFURT AM MAIN

West Germany, with a population of nearly 62 million people and the fourth largest GNP in the world, is one of the leading economies in Western Europe.

At the heart of West Germany's dynamic economy is FRANKFURT AM MAIN, the nation's financial, commercial and distribution center. There are 371 credit institutions in Frankfurt, and more foreign banks than in any other Continental European city—over 200, including 38 American banks.

Frankfurt is also the home of the Bundesbank, West Germany's central bank, as well as the nation's biggest stock exchange.

It is a city with a highly sophisticated infrastructure providing all the facilities necessary for innovative decision-making: adequate space; comprehensive legal, tax and financial services; the full range of communications capabilities; a highly skilled workforce; vast market potential; the most modern transportation facilities; a business atmosphere that rewards resourcefulness.

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Electronics, chemicals, and engineering are the main manufacturing industries. A healthy mixture of manufacturing and service industries combine with the main service sectors of trade, transportation, communication, banking, finance and insurance to comprise Frankfurt's highly diversified economy.

Frankfurt is the economic and distribution center of the Rhine-Main Region, which has a population of nearly 2.5 million and a workforce of 1.2 million. It is the second largest urban concentration in West Germany and one of the fastest growing areas of Western Europe.

Finally, Frankfurt is clearly the transportation hub of West Germany. Its central location puts it in the mainstream of the country's efficient air, rail, road, and waterway networks which, in turn, provide direct, fast access to all key domestic, West European and overseas markets. □

Messe Frankfurt

With two developments which will continue to become even more significant in the future, FRANKFURT FAIRS has made an important contribution to its "turntable" function in international trade: first, it has adapted the traditional fairs to the constantly changing needs of exhibitors and visitors; second, it is catering to the interests of special target groups with new, demand-oriented events.

Special-interest fairs

All special-interest fairs have specific features in common: They are dedicated to the investment goods of the future, they are demand-and-user oriented and are supported by highly-qualified and differentiated fringe programs.

In 1986, Frankfurt Fairs organized two new events which fulfilled all the criteria of the special-interest concept. *Techtextil*—International Trade Fair for Technical Textiles—was held June 10-12, 1986, and due to the extremely good response—205 exhibitors and 6,000 trade visitors—it is to be repeated a year earlier (June 2-4, 1987) than originally planned. This event was attended by ten exhibitors and around 100 specialist buyers from the United States.

Broadcast, an international trade fair for the film, radio, television and video sector followed two weeks later, June 24-28, 1986. Covering all professional requirements, this event attracted some 4,000 highly qualified trade visitors and 1,000 media experts making *Broadcast* into a genuine exchange for media ideas.

New Themes in 1987

The newer exhibits planned are: *Format '87*, *Pro-Sales* and *Power Supply*. *Format '87*—International Trade Fair for Floor Design—will be presenting all industrially manufactured floor coverings made of textiles, plastics, wood, ceramic and stone, as well as accessories for installation and cleaning, May 6-10, 1987.

Pro-Sales—Frankfurt International Fair for Advertising Products—will be held, May 20-23, 1987, and cover the entire international advertising range for professionals in this field. *Power Supply*—International Trade Fair for Power Supplies—will be covering power supplies, its accessories and testing equipments, June 24-27, 1987.

In 1986, increasing numbers from the U.S.

Some 28,000 exhibitors and over 2.5 million visitors from all over the world came to the 23 international fairs held in Frankfurt in 1985.

The 20 events in 1986 have been characterized by an almost across-the-board growth in the number of visitors, and exhibitors.

The response from the United States has improved further over the previous year. Altogether, over 5,000 trade visitors made the journey from the New World to Frankfurt: indeed 1,200 of them to the *Frankfurt International Spring Fair* in March, 1986.

With over 500 companies, the *Book Fair* in October was most popular among the over 800 exhibitors. Other particularly popular fairs were the *Heimtextil*—International Trade Fair for Home and Household Textiles—in January, the *Automechanika '86*—International Trade Fair for Motor Car Workshop and Service Station Equipment, Automobile Spare Parts and Accessories—in September and the *Musikmesse Frankfurt*—International Trade Fair for Musical Instruments, Orchestral Electronics, Musical Assessories and Sheet Music—in February, 1986.

For information please contact: German-American Chamber of Commerce Inc., Mr. Philippe Hans, 666 Fifth Avenue, New York, N.Y. 10103, Tel. 212 974-8856, Telex: RCA 234 209 GACC UR. □

FREIGHTLINER
FREIGHTLINER CORPORATION

FREIGHTLINER CORPORATION produces and markets heavy-duty (Class 8) Freightliner trucks and medium-duty (Class

We in Bremen . . . have, for generations regarded ourselves as a bridge between world markets and the German market. As a centre for the international trading of commodities of coffee, tobacco, cotton, timber, machinery and many other products, Bremen plays a part of major importance in international commerce. And as Bremen's longest established bank, our task is to make sure that business abroad has easy access to West Germany's internal markets, establishing contacts between potential business partners, financing projects of every size and description and handling all aspects of payments from one country to another. Our worldwide connections with about 600 banks in more than 50 countries and the experience of our specialist staff together provide the basis for our international services. Contact Sparkasse in Bremen and you will soon be convinced that you've chosen the right people to help you achieve business success here in Germany.

Head Office of Die Sparkasse in Bremen

Die Sparkasse in Bremen

Foreign Trade Bank since [illegible]

[illegible]

Foreign Exchange dealings

6/7) Mercedes-Benz trucks for North America. Headquartered in Portland, Oregon, Freightliner Corporation is a wholly-owned subsidiary of Daimler-Benz AG of West Germany, the world's largest commercial vehicle manufacturer.

The company's products are sold and serviced through a network of over 300 Freightliner and Mercedes-Benz truck dealers in the U.S. and Canada. Dealers are backed up by six regional sales and service offices and six parts distribution centers strategically located to serve customers anywhere in North America.

Together with its subsidiary, Mercedes-Benz Truck Company, Freightliner Corporation has production facilities in Portland, Oregon; Mt. Holly and Gastonia, North Carolina; Hampton, Virginia; and Burnaby, British Columbia. In addition, the company has a technical engineering and design center in Charlotte, North Carolina.

Freightliner Corporation introduced two new vehicles in 1985—a heavy-duty Freightliner Medium-Length Conventional and a medium-duty Mercedes-Benz Cab-Over-Engine tractor, thus significantly broadening its product line for the North American market. The company will also establish a presence in the Mexican market under a cosignatory agreement with Freightliner's parent company Daimler-Benz AG and FAMSA (Fabrica de Autotransportes Mexicana S.A.) authorizing FAMSA, a Mexican transportation equipment manufacturer, to produce heavy-duty trucks in Mexico under license from Freightliner Corporation.

Freightliner's origin dates back to the late 1930s when Leland James saw the need for a specially designed truck to meet the demands of long-distance hauling. James had formed Consolidated Freightways in 1929 and needed a lighter, stronger and more economical truck to pull bigger loads. Although he began crafting the first Freightliner aluminum body panels in 1939, it wasn't until after World War II that James joined forces with four other truck builders to pioneer the design and manufacture of the first cab-over-engine tractor. Freightliner became the industry leader in truck innovation and design, creating the all-aluminum cab, the aluminum integral sleeper and the first 90-degree tilt cab. In addition, the company spurred the application of the diesel engine for over-the-road use. Freightliner built its first conventional tractor in 1974.

In 1981, Daimler-Benz AG bought Freightliner Corporation from Consolidated Freightways, and a year later merged its Mercedes-Benz Truck Company with Freightliner, placing Daimler-Benz' North American commercial vehicle manufacturing and marketing operations under one corporate umbrella. With the 1985 debut of the company's first heavy-duty, medium-length conventional Freightliner tractor and its new Class 7 Mercedes-Benz cab-over-engine tractor, Freightliner Corporation has significantly increased its participation in the North American medium- and heavy-duty market.

Today, Freightliner is the fourth largest producer of heavy-duty trucks in America. ☐

Frenkel & Co. Inc.

FRENKEL & CO., INC. has been a leader in the field of Commercial Insurance and Risk Management for over one hundred years.

We have enjoyed a healthy growth based on a philosophy of being large enough to provide an in-depth approach to corporate insurance problems and small enough to do this on a personal basis. Our many long-term relationships are testimony to the bonds of trust that have been formed through years of dependable service.

Our Risk Management professionals analyze and evaluate exposures to loss and design comprehensive insurance packages specifically tailored to our individual client's needs. We provide safety and fire prevention consulting services. We work closely with our clients to reduce potential loss to property and to personnel. Our Claims Division facilitates prompt and satisfactory settlement of claims. Rounding out the full range of brokerage services are experts in Employee Benefits and Estate Planning.

Through a network of domestic and foreign insurance underwriters, we arrange protection at competitive costs for exposures covering all facets of property, casualty, marine insurance and surety.

Insurance requirements of American subsidiaries of German companies require specialized, in-depth knowledge of German business practices, needs, and relationships as well as an understanding of the insurance marketplace in Germany.

We are particularly proud of our association with our many German-American clients. We can work directly with U.S. subsidiaries of a German parent and equally well in conjunction with a captive broker, risk manager or an independent correspondent broker located in Germany.

You can contact us by calling or writing Mr. Martin L. Elkinson, Senior Vice President, Frenkel & Co., Inc., 123 William Street, New York, New York 10038, telephone 1-800-221-4296. ☐

GARRETT

THE GARRETT CORPORATION, with 21 divisions, subsidiaries and associated affiliates worldwide, designs and manufactures systems, products and components for the aerospace, energy management, undersea propulsion, and surface transportation fields.

Founded in 1936 by the late J.C. "Cliff Garrett as a small supplier of aviation accessories, The Garrett Corporation—today a unit of Allied-Signal Inc.,—has evolved into an industrial complex of more than 23,000 employees.

Typical of the company's far-flung international operations is Garrett GmbH in Raunheim, West Germany. With some 549 employees, Garrett GmbH is involved in developing and producing the auxiliary power units (APUs) featured on the new Airbus Industrie A320 jet airliner, and other Airbus aircraft. Garrett GmbH also manufactures APUs and ground support equipment for many other makes and models of commercial and military airplanes, builds generator sets for industrial applications, and overhauls and repairs a variety of Garrett products.

Most Garrett products involve the use of very-high-speed rotating machinery, heat-transfer technology, and electronic, hydraulic and pneumatic control technology.

As a leading supplier of propulsion engines for general aviation and the world's regional airlines, Garrett produces the TFE731 and ATF3 turbofan engines for jet aircraft, and the TPE331 engine for turboprop airplanes. In addition, the company has developed its F109-GA-100 turbofan engine to power the next generation U.S. Air Force trainer, and is developing two other new aircraft engines as joint ventures. One is the turboshaft T800, a project of the joint Garrett/Allison Light Helicopter Turbine Engine Company (LHTEC), designed to power the U.S. Army's new LHX helicopters. The other is the CFE738, a turbofan rated at 5,600 pounds of thrust, and being jointly developed by Garrett and the General Electric Company's Aircraft Engine Business Group.

Environmental control and cabin pressurization systems for aircraft represent still another major Garrett product line. These systems, which Garrett pioneered, are being produced for more than 75 different types of U.S. and foreign military aircraft, and some 35 models of domestic and foreign civil airplanes.

Garrett also produces a wide variety of electronic systems for the aerospace industry. These include air data computers, area navigation systems, emergency locator transmitter-receivers, thick and thin film hybrid microcircuits, and flight management systems.

In addition, the company manufactures industrial regenerators and recuperators, nuclear-biological-chemical (NBC) protection systems for military vehicles and aircraft, castings for turbomachinery, pneumatic and hydraulic motors and actuators, and is also deeply involved in such diverse fields as underwater propulsion and ceramics research. ☐

Goldman Sachs

GOLDMAN, SACHS & CO., is a full-service international investment banking and brokerage firm with offices throughout the U.S. and in London, Tokyo, Hong Kong and Zurich. The firm was founded in 1869 and is one of the oldest and financially strongest of the major Wall Street organizations.

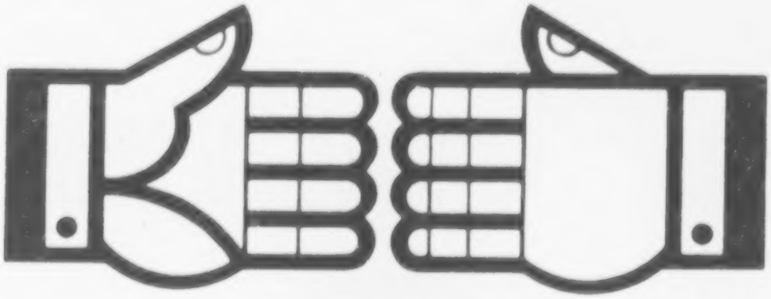
As a leader in almost every field of financing and investing, Goldman Sachs serves a wide range of major international corporate and institutional clients, governments and substantial individuals. The firm's major global capabilities include:

- Preeminence in worldwide equity trading, distribution and research. The firm is repeatedly ranked by institutional investors as the premier block trading firm. Goldman Sachs research analysts continuously follow 40 industries and well over 700 companies.
- Prominence in international debt markets where the firm lead or co-lead manages issues denominated in all major currencies for corporations and governments.
- An institutional sales force that provides highly specialized coverage for more than 4,000 institutional investors worldwide. Surveys of institutional investors repeatedly confirm Goldman Sachs' leadership in providing the best overall service.
- Continuing leadership in private financings including supplier and large-scale project financings, private placements of debt and equity and leveraged leasing.
- Acknowledged leadership in mergers and acquisitions for companies worldwide.
- Leadership in the sales and financings of major real estate properties in the U.S.
- Expertise in an expanding range of innovative services and products to manage interest rate and currency exposures, obtain lower-cost financing and improve investment returns. These include market-making for spot and forward transactions, over-the-counter and exchange-traded options and futures, swaps and long-dated forward transactions and multi-currency financing and investing services. A major magazine survey of corporate treasurers internationally cites Goldman Sachs as the first U.S. investment banking firm to be ranked among the top twenty banks worldwide in providing foreign exchange services.

The firm's noted teamwork approach to investment banking provides the personalized, innovative service and performance that have earned Goldman Sachs its distinguished reputation worldwide. This teamwork reflects a corporate philosophy that places the highest priority on assuring that the full resources of the firm are available to assist clients in achieving their current and future financial goals. ☐

If you need insurance for your German-American business, we'll give you a hand.

Because we know German-American business like the back of our hand.



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Hapag-Lloyd

This year HAPAG-LLOYD AG, one of the world's largest shipping companies, celebrates its 16th Anniversary. The Hamburg Bremen-based company is represented in the United States by its North American subsidiary, Hapag-Lloyd (America) Inc., New York City.

Though they are indeed proud to have completed 16 years of service, the heritage at Hapag-Lloyd goes back to the days of sailing ships. And as for celebrations, both the Hamburg-American Line (HAPAG), founded in 1847, and North German Lloyd, founded in 1857, have each separately toasted milestone 50 and 100 year anniversaries.

But the sum for these sixteen years as a joint Hapag-Lloyd entity adds up to much more than sixteen years of success. The strategic consolidation and streamlining at the beginning of the 1970's was followed by another belt-tightening and fat trimming program in the early 80's. The events and achievements of each of the last sixteen years have brought Hapag-Lloyd closer to its goal: to provide the most advanced network of transport services on the sea, land, and air. . .and to do so on a sound financial basis.

With its heritage on the sea, the birth of the new company came at a time when containerization was also in its infancy. Indeed, the merger of Hapag and North German Lloyd was brought about as a result of the high capital investment needed to convert to containerization. Both Hapag-Lloyd and containerization grew together to be strong and healthy in the past 16 years.

Before the 70's even began, Hapag and North German Lloyd had engaged in the first fully containerized service on trans Atlantic routes under the trade name Hapag-Lloyd Container Line. By 1978, the first generation containerships of the late 1960's yielded to newer, more modern 1758 teu vessels to meet the demand for additional cargo space. Then in 1985 these four vessels were jumboized by adding a mid-section, thereby, increasing their capacity to 2486 teu's. Hapag-Lloyd's containership fleet, which began as four in 1968 grew to 18 by 1978, and today stands at 29.

Hapag-Lloyd travel organization, called Hapag-Lloyd Reisebuero, today operates with 77 travel agencies throughout the Federal Republic of Germany, West Berlin, Austria, Luxemburg, Switzerland and the United Kingdom. All aspects of corporate and private travel services are offered. Growth of this sector of North America is reflected in the establishment of Hapag-Lloyd Travel (America) Inc., with travel agencies in New York; Chicago; Charlotte, N.C.; and Hackensack.

To meet the demand for larger cruises and more exotic destinations, Hapag-Lloyd introduced a new "Europa" in 1979. The old Europa, which had served more than 170,000 passengers for over a decade, was phased out of operation.

On the land, Hapag-Lloyd has made great inroads since 1970. Where overland container movement was in its early stages at the beginning of the decade, Hapag-Lloyd has made true door-to-door service a reality. Through the effective use of container pools, shipping agents and inland container coordinators, today Hapag-Lloyd deploys more than 70,000 containers worldwide.

Throughout the past 16 years in Europe, Deutscher Container-Dienst (DCD) has coordinated inland container movements by truck and rail.

In the mid 80's, in the United States, Hapag-Lloyd has surely broadened the already wide horizons that its predecessor companies had established. ☐

RTC

THE COAL EXPERTS.

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Helaba Frankfurt
Hessische Landesbank -Girozentrale

Headquartered in Frankfurt and an integral part of the city's domestic and international banking community, HESSISCHE LANDESBANK, with total assets at the end of 1985 of more than DM 66 billion, is one of Germany's top 10 banks.

Hessische Landesbank is a major German universal banking institution, focusing on wholesale banking and offering a comprehensive range of financial services geared to the needs of large corporations, governments and government entities, and other financial institutions. These services include:

- International financing, specializing in medium to long-term fixed-rate loans for subsidiaries of German customers abroad and for the German subsidiaries of foreign multinational corporations.
- Foreign trade financing, including medium to long-term fixed rate export financing, short-term import-export financing at domestic and Euromarket rates, and non-recourse export financing.
- International commercial services including rapid payments, collections, and letters of credit. The Bank is a member of S.W.I.F.T.
- Providing foreign exchange facilities for the Bank's own customers and those of Hesse's Sparkassen. Hessische Landesbank is a market maker for its worldwide correspondents in spot and forward foreign exchange transactions and in Eurocurrency deposits.
- International capital market services, including Eurobonds, private placements, and foreign share placements. The bank offers a full range of brokerage facilities, such as investment counselling and portfolio management.
- Specialized financial services for corporate clients in foreign exchange, deposits in all major currencies, as well as interest rate swaps and other innovative financial vehicles.
- Euromarket facilities are made available through a wholly-owned Luxembourg subsidiary, Hessische Landesbank International S.A., as well as full service branches in New York, London and Grand Cayman—which, together with an active global network of correspondent banks, provide Helaba's customers with a broad range of international services.

Hessische Landesbank's shareholders are the State of Hesse, for which it acts as banker, and the fifty-two regional Sparkassen, for whom it provides clearing and other centralized functions. □

H&M

HILLE & MUELLER is one of the leading cold rolling mills in the world. The company employs more than 2200 people in 6 works in Germany and in the United States of America. Among the regular customers in many parts of the world are companies of different industrial branches, such as household industry, motorcar industry, electrical industry or construction industry.

Our range of products is, in the first instance, determined by cold rolled steel and by cold rolled steel strip electrolytically plated or clad with non-ferrous metals. The non-ferrous metals we are using are nickel, chromium, brass, copper, tombac, zinc and aluminium.

The aim of the company is to produce quality of the highest demands. Hille & Mueller and the associated companies are well known as producers for cold rolled steel strip and electrolytically plated cold rolled steel strip with bright glossy surfaces and closest tolerances. The application of our materials helps to save heavy expenditure on piece-part plating or purchase of solid non-ferrous metals.

International Savvy

In the heart of the Southeast

If you're looking for a bank that knows international finance, you've found it in C&S. Foreign market and credit information, foreign exchange purchases and sales, loans, acceptance financing, import letters of credit, fast payment of collections, bank transfers to foreign suppliers, international factoring, and a rapid worldwide cash management system...we've got it all.

We're on the scene, too. We have international representative offices plus an extensive network of correspondent banks worldwide. Closer to home, we've got you covered with 434 offices in the United States and over 500 correspondent banks throughout the Southeast, one of the fastest growing regions in the U.S.

It's an international fact...we're a leader in financing international business in the Southeast.

Find out more about our international savvy. Contact Jim Lientz Executive Vice President, C&S International Division (TELEX 542346, S.W.I.F.T. CSBKUS33) 404-581-2350. Or write P.O. Box 4899, Atlanta, Georgia 30302-4899.

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During the almost 100 years of its existence many new products have been developed by our company. The know-how collected during that time and the constant increasing of our production programme provide the answers to the problems and requirements of the metal working industries.

Within Hille & Mueller innovation teams up with tradition. The company was founded in Großschönau/Sudentenland, where, in 1885 the first mill was established. Already in 1895 the founders of the company, in the previous Porschdorf works near Dresden, successfully performed surface finish of sheets. Another mill was founded 1905 in Düsseldorf-Reisholz, where today the headquarter of the group is located.

Another important date within company history is the year 1974, when Hille & Mueller extended their field of operation over the Atlantic and took over Rafferty-Brown, Waterbury, Connecticut, USA. This proved to be an important step. Only one year later the Thomas Steel Strip Corporation, Warren, Ohio was acquired, which is a mill with a product and market structure similar to that of the main works.

The purchase of the Westfalia GmbH in Hilchenbach in 1976 was made in an effort for diversification and in order to open a door into metal working. The Trierer Walzwerk GmbH, Trier, which primarily is producing clad cold rolled steel strip with non-ferrous metals, was bought in 1982, completing our line of products.

With works in Germany and in USA the Hille & Mueller organization possesses most modern production facilities. A worldwide sales network assures direct presence in the most important markets.

HOESCH

For over a century, the name "HOESCH" has been synonymous with the steel world. Started as a family business in 1871, Hoesch has grown into one of the most important German producers of steel and steel finished products.

Many contributions to technical progress, especially in the fields of metallurgy of iron and the production and processing of steel, as well as strong impetus to industrial development and marketing growth mark the path of this company up to the present time.

Our products range from semi-finished steel to rolled steel in all grades, such as sheets and plates, bars, sheet piling and mining sections. Our processed steel include such coated products as galvanized, plastic-coated sheets and tin plate; special sections, steel strapping, pipe and tubing, as well as castings and forging. Hoesch is an important factor in the manufacturing of machinery and heavy equipment.

With all this capability, it was only natural that the Hoesch group expanded its activities worldwide, and today has offices and representatives, as well as manufacturing plants, in every major country in the world.

Hoesch America Inc. was started in the U.S. in 1957 and the main purpose was to cover an important market for the Hoesch group. Over the years it led to a steady growth of international trading, including exporting from the U.S. to various countries in the world. Hoesch America became a significant member of the international steel community.

In the 1960's Hoesch decided to further invest in the U.S. and today owns several successful manufacturing plants.

Hoesch Tubular Products Co., Baytown, TX is engaged in upsetting, heat treating and threading of oil country tubular goods. The plain end tubular goods in sizes 2.3/8" through 13.3/8" are manufactured at the Hoesch pipe mill in Germany, imported into the U.S. finished at Hoesch Tubular Products and sold in the U.S. for oil drilling.

Delta Strapping Industries, Inc., New York, NY is a manufacturer of plastic strapping tools and seals, and distributor of steel strapping and accessories.

Rotek Inc., Aurora, OH is a manufacturer of bearings, seamless rolled rings and carriage parts, as well as closed die forgings, which are sold to equipment manufacturers of cranes, excavators, dredgers, railway turntables, rotary furnaces, material handling equipment and similar heavy-duty equipment.

huels corporation

HUELS AG, one of the largest chemical companies in the Federal Republic of Germany, is a major manufacturer of basic chemicals, organic chemicals, thermoplastics, elastomers and raw materials for surface coatings with production sites in Europe, Japan and USA. Huels' broad diversification, high standards of quality, and intensive research and development has yielded new markets for a growing range of special products for high performance applications.

In 1985, Huels AG had 14,700 employees and sales of 5.5 billion DM. The products are exported to 110 countries, through a worldwide sales network. Exports account for 47.4%.

Huels AG is a 100% owned subsidiary of VEBA AG, one of the leading companies in the Federal Republic of Germany. VEBA activities span electricity, trading, oil exploration and refineries. The chemical activities of VEBA AG are concentrated in Huels.

On 1 May 1985, Huels acquired Nuodex Inc. of Piscataway, N.J./USA. In doing so, Huels was pursuing its strategic objective of product and geographical diversification, with high added value products sold to broad-based industrialized markets.

Nuodex Inc. produces colorants, coatings additivies, synthetic lubricants, plastics additives and rigid vinyl film, at sites in the USA, Canada and The Netherlands. In 1985, the corporation had 700 employees and sales of 165 million US dollars.

Nuodex Inc. has assumed responsibility for the sale of special products of Huels AG in the USA, and Canada.

EFHutton

E.F. HUTTON & COMPANY INC., the broker-dealer subsidiary of The E.F. Hutton Group Inc., is engaged in securities brokerage, market-making, investment banking and other financial services, through a worldwide network of over 400 offices.

Founded in 1904 by Edward F. Hutton and George Ellis, the company has achieved 82 years of uninterrupted profitability. Its 6,500 account executives offer a broad range of investment products and services, including financial planning, direct investments, life insurance, annuities, stocks, bonds, options and mutual funds.

The company, which had record revenues of $3.1 billion in 1985, has 17,000 employees and more than one million active customer accounts.

IET

INTERNATIONAL EXHIBITS TRANSPORT INC. built an international reputation of first-class freight forwarding service of exhibits from the United States to countries around the world and vice versa. IET is one

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of the very few companies worldwide which specialized in the transportation of exhibits only since the day it was formed. This means that every person contacted in the company is truly a professional on the subject of handling exhibit material. There are no transfers to a special department. IET believes this way it can give all exhibiting companies and fair organizers the maximum professional service such a specific targeted event calls for.

IET offers companies involved in international trade fairs and exhibitions door-to-door service (delivery to booth) no matter where the show is located or what kind of exhibit material is involved, ranging from high technology goods to heavy machinery.

Services provided include the following: the outlining of deadlines for movement of freight to consolidation locations, shipping costs, methods of transport, necessary documentation, commercial invoices, descriptive forms, shipping labels, sketches for odd-sized cargo, and all other appropriate services. By grouping exhibits for shipment in consolidation lots, the shipper benefits from lower freight rates.

Once cargo reaches its destination, International Exhibits Transport makes arrangements for moving all goods from the port-of-entry to its final site, in cooperation with a local freight forwarder who has been officially appointed by exhibition organizers. Experienced staff from International Exhibits Transport, Inc. is present at the fair site to oversee all final operations and to assist exhibitors.

The main purpose of every exhibition for the participating companies is to sell their products. IET believes that it can make the difference by giving its sole attention to the fact that every exhibitor can focus exactly on this issue and not be distracted by problems and delays of their exhibit material.

International Exhibits Transport is one of the few experienced freight contractors for transporting cargo to international exhibition sites and has become a major factor in the international exhibition industry. □

INA BEARING COMPANY, INC. is part of a worldwide organization known for the quality and advanced technology of its needle roller and other anti-friction bearings.

From its small beginnings in 1946, the company has grown rapidly by pioneering scores of new products. INA Needle Roller Bearings have provided designers in many industries, particularly the automotive and machine tool industries, with a solution to their problems.

Over the years, the original range of INA Needle Bearings has been extended to encompass a much wider variety of rolling bearings. These include bearings for both light and heavy duty applications, as well as bearings for rotary and linear motion.

Today, more than 14,000 INA employees throughout the world produce over 10,000 different types of rolling bearings, of which a high number are made to customers' individual requirements. Specifically, our product line includes a large variety of unit cages, shell bearings, needle roller bearings—radical and thrust, cylindrical roller bearing—radical and thrust, combination bearings, precision ground bearings, ball bearings, linear motion bearings and slewing rings.

INA Rolling Bearings are manufactured in 19 plants worldwide. A network of 19 INA companies and 28 agencies provide reliable service and excellent communication with our customers.

All worldwide market research, together with production and application experience, is collated at the parent company in Herzogenaurach near Nuremberg. Thus, a continuous interchange results between the various INA locations and ensures that the latest technology is shared worldwide. This is reflected in the advanced state of the art of all INA products.

In the United States, INA Bearing Company, Inc. was incorporated in September 1969. Today, INA operates three manufacturing plants in South Carolina. Corporate Headquarters were completed in February 1986 just outside Charlotte, North Carolina, in Fort Mill, South Carolina. INA is the second largest needle bearing manufacturer in the United States. □

ISOLIER KAEFER TECHNIK

Since their foundation in 1918 KAEFER Isoliertechnik has developed into one of the leading companies in the field of thermal and acoustic insulation engineers and contractors. Today the company is represented by branches throughout West Germany and by foreign companies and agencies all over the world. The head office in Bremen coordinates their activities.

Effective insulation has become an essential factor of economical processing engineering and energy management for industry. Comprehensive thermal insulation, room acoustics, noise and fire protection are decisive for the safety and comfort for the public and personnel on e.g. ships, offshore facilities, in public and sports buildings. Industrial noise control protects against the risk of noise damage to personnel at places of work and reduces noise pollution to the environment.

KAEFER Isoliertechnik in Europe meets ever increasing demands world-wide; in America our customers are served by KAEFER Technologies Inc. With all the advantages and efficiency of a competitive international group our customers are guaranteed high performance engineering, high quality workmanship and reliable services on a national and international level. KAEFER Technologies Inc. based in Houston offer full-service consultancy and contracting through the following companies:

B & B Insulation Inc.; Promat J & S Insulators; Techsil; Maroco Inc.; Controlled Floatation; Riteway Scaffolding; Insulations Sales and Services Inc.; Pamrod. Three further companies, Maltesa; Pamsil S.A. and Insulco S.A. are situated in Mexico. □

KEMPINSKI
AKTIENGESELLSCHAFT

In response to increasing demand from the USA, the New York office of Berlin's KEMPINSKI HOTEL CORPORATION has moved to more spacious quarters at 1640 Hempstead Turnpike, East Meadow, New York 11554 (Tel.: 516-794-2670/2671). One key reason for increasing number of reservations: as Lufthansa-affiliated hotels, all Kempinski Hotels can be booked together with the flight at any Lufthansa German Airlines reservation point.

Kempinski Hotels, member of The Leading Hotels of the World, satisfy a clientele which treasures the Old World hospitality of these classic hostelries in the great European hotel tradition. And which welcomes having the charm of bygone days linked with contemporary comforts and amenities.

Long popular with American tourists and business people alike is Munich's Vier Jahreszeiten Hotel. Staying here, right in the very heart of King Ludwig II's domain between the Hofbräuhaus and the Residenz, is an American dream.

In Berlin, Germany's leading cultural center, the prestige address of yesteryear was the

We serve the tables of the World
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AVENUE, one of a host of full-lead crystal patterns offering radiant clarity, deep cuttings and smooth fire polished rims. For free brochure, write Schott-Zwiesel Glass Inc., 3 Odell Plaza, Yonkers, New York 10701 · (914) 969-6100.

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Hotel Bristol Unter den Linden. Since 1952, the Bristol Hotel Kempinski on the Kurfürstendamm, West Berlin's showpiece boulevard, has been the No. 1 choice of show-biz celebrities and political dignitaries from the USA.

Back in the days of the transatlantic ocean liners, Hamburg was America's gateway to Germany. Now travelers from the States are rediscovering Hamburg—as the modern-day continental capital of opera and ballet, as well as the gateway to Northern Europe: Denmark, Norway and Sweden. Hamburg's Atlantic Hotel made its debut in 1909 for passengers of the luxury liners.

The Hotel Gravenbruch Kempinski Frankfurt is the one with the oldest heritage. A one-time manor house, Gravenbruch was first mentioned in official records of 1486—six years before Columbus discovered America. Only minutes from Frankfurt Airport, this historic Kempinski has preserved the casual, relaxed atmosphere of a fine old country estate. US tourists have likewise discovered its merits as a convenient point of departure for European travel. Because from America's vantage point some of "Romantic Germany's" top attractions—the Rhine Valley, Old Heidelberg and medieval Rothenburg—are virtually right in the hotel backyard.

Welcome to Kempinski. □

KORF ENGINEERING GMBH (KE) Dusseldorf/Federal Rep. of Germany is general contractor of complete integrated steel plants.

KE plans, supplies and constructs coal based reduction plants (COREX-KR process), electric arc furnace melt shops, rotary continuous casters (RCC process; enabling direct rolling) rolling mills, foundry plants, cupolas and environmental techniques.

KE's services are ranging from feasibility studies, layout concepts and project financing via engineering and manufacturing up to erection, commissioning, training and technical assistance, as well as trading of the final products.

For more than 15 years, KE has engineered, built and successfully commissioned plants for the iron and steel industry throughout the world. Such works also include processing and auxiliary facilities within the usual frame of industrial plant projects.

Highly qualified engineers and specialists are responsible for the preparation of feasibility studies up to the successful startup of the plant.

KE is world-wide known for its outstanding latest technologies. As a subsidiary company of the state owned Austrian VOEST-ALPINE Group, KE has all access to the latest production experience from the world-wide activities of the parent company.

KE supplies:

- Coal reduction plants (COREX KR process)
- Electric arc furnace steel melt shops
- Continuous casting plants
- Rotary Continuous Caster (RCC process)
- Rolling mills
- Foundry plants
- Cupolas
- Dedusting plants
- Process automation

KE capabilities:

- Feasibility studies
- Consulting
- Engineering
- Equipment supply
- Erection and commissioning
- Training
- Technical assistance

KORF ENGINEERING GMBH/Voest-Alpine Intern. Corp., Lincoln Building, 46 floor, 60 East, 42nd Street, New York, N.Y. 10165, Phone: 66 110 60, Telex: 233 228

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Renowned worldwide for excellence in many spheres of industrial activity, FRIED. KRUPP GmbH of Essen, West Germany, has a long-standing commitment to serving the U.S. market.

Krupp operates many subsidiary companies in the USA:

- Krupp Industries Inc., Bridgeville, Pennsylvania, has four major divisions:
  - a) The main offices in Bridgeville with local offices in Houston, Texas and Seattle, Washington, offer a wide range of plant and equipment: bulk handling facilities, metallurgical plant, rolling mill installations, cranes, crushers, and drilling equipment for the mining, oil, water and construction industries.
  - b) The Krupp Kautex Machines (KKM) Division, Linden, New Jersey, offers modern extrusion, blow-moulding plastics machinery and PET injection moulding systems.
  - c) The Krupp Atlas Elektronik (KAE) Division with branches in Houston, Seattle, and Rahway, New Jersey, serves the marine markets with radar and collision avoidance systems, shiphandling simulators and sonar-operated fish-finders. The KAE-Division also offers highly specialized hydrographic survey equipment for rivers and coastal waters.
  - d) Krupp Rubber Machinery Corp., Kent, Ohio, supplies state-of-the-art rubber and tire machinery.
- Krupp Corpoplast Service Agency USA, Alexandria, Virginia, offers advanced stretch blow-moulding plastics machinery.
- Polysius Corporation of Atlanta, Georgia, offers ultra-modern cement plant including process automation.
- Krupp Wilputte Corporation, Murray Hill, New Jersey, has a wealth of experience in the design and construction of coke-oven plants, high-temperature hot blast stoves, sinter plant, coal by-product and gas treatment facilities, auxiliary machinery, gasification plant for solid and liquid fuels, and pollution control equipment.
- Krupp MaK Diesel Inc., Glenview, Illinois, markets the product lines of Krupp MaK, Kiel, West Germany: mainly marine diesel engines and diesel generating sets.
- Krupp Widia Corp., Deerfield, Michigan, markets WIDIA® hardmetal tools for metal cutting and forming, mining and quarrying.
- Dentex Research Development Corp., New York, with its Division Neoloy Products, Inc., Posen, Illinois, makes dental products under the umbrella of Krupp Medizintechnik, Essen, West Germany.
- Krupp Steel Products Inc., Houston, Texas, with branches in New York and Chicago, offers a complete range of carbon-, alloy- and stainless-stell sections, strip and sheet. Forgings are supplied to various US industries. ☐

LEYBOLD-HERAEUS

LEYBOLD-HERAEUS are successfully meeting for many years the exacting technological challenges of the North American market. Vacuum technology and its process applications today are base technologies indispensable for research, development and production in all fully industrialized countries. Neither microchips nor modern data storage media nor high-grade materials for space travel would have been possible without vaccum processes.

Along with the worldwide penetration of vacuum technology and process engineering the commitments of Leybold-Heraeus have expanded all over the world. Originating from the two companies W. C. Heraeus, Hanau, and E. Leybold, Cologne, founded in 1850 and 1851 respectively, Leybold-Heraeus today is jointly owned by W. C. Heraeus GmbH, Hanau, Degussa AG and Metallgesellschaft AG, both in Frankfort/Main, Federal Republic of Germany. Sales have been increasing over the last ten years at an average annual rate of 11% up to 1 Billion Deutsche Mark of which about 40% have lately been accounting for the US market.

The expenditure for research and development amounts to approx. 8% of the sales figure, and Leybold-Heraeus has thus become the world's largest concern in the field of vacuum technology.

A few examples may illustrate the wide range and depth of involvement of applied vacuum technologies:

—Materials for microelectronics components and their functional films

—Magnetic layers for data storage media

—Optical thin films for spectacle lenses, photolenses and space telescopes

—Infrared or ultraviolet analysis of gases up to systems for displaying traces on transparent materials (dactyloscopy)

—Ultracleaning of reactive and refractory metals, such as titanium, zirconium and their alloys

—Deposition of anticorrosive protective layers on components exposed to high thermal stress

—Vacuum generation systems for preservation of foods up to gas supply systems for carbon dioxide lasers

The activities of the Leybold-Heraeus corporate group, today including 20 subsidiaries, span the globe. The USA occupies an exceptional position as a market of undeniably greatest technological importance in the world. Here the growth rate for Leybold-Heraeus products is higher than the world average. Today already 50% of LH products sold in the USA are produced inside the country.

By the end of 1984, a new Leybold-Heraeus Inc. sales and service organization for the USA, the Leybold-Heraeus Inc., 1860 Hartog Drive, San Jose, CA 95131 started operations from its California Headquarters. The activities of Leybold-Heraeus Inc. include marketing of the products of the four Leybold-Heraeus U.S. subsidiaries:

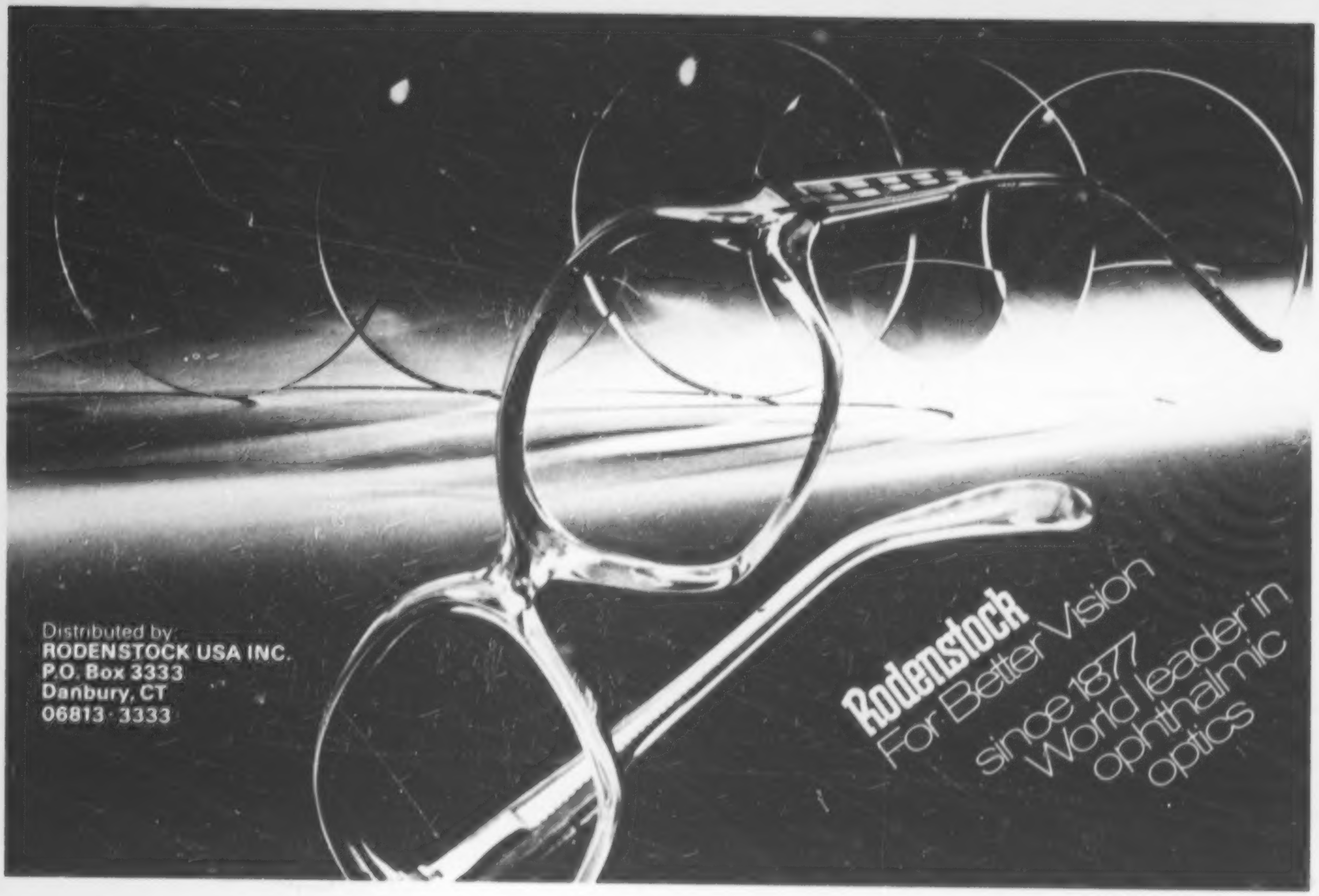
Leybold-Hereaus Vacuum Products Inc., 5700 Mellon Road, Export, PA 15632: Vacuum pumps, pumping systems, vacuum accessories and surface analysis equipment.

Inficon Leybold-Heraeus Inc., 6500 Fly Road, East Syracuse, N.Y. 13057: Residual gas analyzers, pressure converters, mass spectrometer systems, helium leak detectors, vacuum gauges, vacuum deposition and thin film controllers.

Leybold-Heraeus Technologies Inc., 120 Post Road, Enfield, CT 06082: Crystal growers and productions sputtering systems, vacuum metallurgy, electro-optical coating systems.

Leybold-Heraeus Vacuum Systems Inc., 120 Post Road, Enfield, Ct 06082: EB welding systems and technology.

In view of the importance alone of the semiconductor industry, we have set up a Leybold-Heraeus branch establishment on the West Coast in San José, CA. ☐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Lufthansa

In 1986, LUFTHANSA celebrated the 31st year of service to the United States and the 60th anniversary of the founding of the first Luft Hansa. The airline began intercontinental flights to New York in June 1955 and 30 years later it added its 12th U.S. gateway, Houston. In April 1987, Lufthansa will begin Washington-Frankfurt service, achieving a long-awaited goal to serve the U.S. capital.

In the first nine months of 1986, the airline carried appreciably more passengers, freight and mail than in the same period in 1985. Although capacity offered had been increased substantially, it was almost matched by demand. In November, Lufthansa took delivery of its 200th Boeing jet aircraft—a 737-300, the ninth of the latest version of this jet and the 79th in the 737 series acquired by the German airline.

The airline's net profit for 1985 was 63 million Deutsch marks, equal to the profit attained in 1983, but less than the exceptional profit earned in 1984. A seven percent dividend was paid on both common and preferred shares. Net revenues were 146 million marks from which 83 million marks was deducted for special depreciations to strengthen corporate assets.

In May of this year, Lufthansa announced its order for the new-generation Boeing 747-400 jetliners—six firm orders for delivery beginning February 1989 and nine options. Total investment for the firm orders, including equipment and spare parts is about $800 million. Together with the option aircraft, the order is valued at about $2.1 billion. With the 747-400 firm order, Lufthansa has invested nearly $5 billion in Boeing aircraft. The 400-model order is another step in the airline's policy of fleet renewal. Delivery of the first two of the new-technology jumbo jets will be in 1989 followed by two more in each succeeding year.

Lufthansa has selected General Electric CF6-80C2 engines to power the new jet. The four engines lower specific fuel consumption by 9 to 11 percent. The new aircraft has a two-crew digital cockpit with six large CRTs displaying easy-to-read information for system and flight management.

In 1985, Lufthansa's total revenues increased three percent while expenditures rose 5.3 percent. The company attributed the increase in expenses to the elimination of capacity bottlenecks which resulted from a sharp rise in services in 1984, and characterized 1985 as a year of selected and phased expansion, target on growth areas—freight, the Far East and regional air traffic.

Capital expenditures in 1985 were close to 1.5 billion marks, the bulk of which was spent on fleet renewal. Total capacity was up by 8.1 percent to 7.77 billion ton kilometers with the number of destinations in the route network increasing by 11 to 138. Demand rose only four percent with contributing factors being the slowdown in the expansion of world trade, and developments in problem areas in the Near East, South Africa and North Atlantic. The revenue load factor slipped 2.5 points to 63.6 percent, one percent below the breakeven load factor.

MBB

MESSERSCHMITT-BOLKOW-BLOHM with a staff of 37,000 at 21 plants throughout West Germany are engaged in developing and building high-tech products. Annual turnover amounts to 6 billion deutschmarks.

MBB's palette encompasses commercial and military aircraft, helicopters, missiles, manned and unmanned space systems, and also includes marine technology and industrial products for now-markets derived from aerospace technology.

In the aircraft industry, MBB reaches into the commercial field with the Airbus in its many versions, including the new A330 and A340 which will be in service in the early 90's; for transport, there is the Transall c-160; for the military, there is the Tornado and the Fantrainer; its helicopters include both multi-purpose and military ones, such as the anti-tank model.

In space systems, MBB is involved in satellites such as: INTELSAT V & VI, ECS, METEOSAT, EXOSAT and others; as well as in telecommunications systems and the ARIANE rocket launcher. Also to be included are ground stations and the orbital systems: SPACELAB, SPAS, EURECA, and COLUMBUS.

MBB's technology for energy and processing include work in wind energy converters, photovoltaics or thin film technology, vacuum superinsolation and biotechnology.

Besides extensive development and production of defense systems, MBB works on industrial products: rail vehicles and train systems; medical lasers, data acquisition and control systems: and technology for electronics, automation and fiber composition.

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Telefax

□

MSL

MSL was founded in London in 1956—and is considered to be one of the pioneers in executive recruitment services. In 1968 MSL expanded their activities into Germany and established offices in Düsseldorf and Frankfurt.

Abroad MSL is represented in the United States, Belgium, Canada, France, Ireland, Italy, Japan, The Netherlands, Spain, Sweden, Switzerland and the United Kingdom, as well as in the Middle and Far East, Australia and South America.

This network of offices means that MSL can guarantee their clients excellent services. The worldwide significance of their work is additionally underlined by their association with the HAY GROUP, a leading, international management consultancy company.

As the name implies, MSL DEUTSCHLAND GMBH is a German consultancy, but their clientele is becoming increasingly international. Practically half their clients have their headquarters in the United States.

Numerous companies have been working successfully with MSL since their formation days in Germany and see in MSL a fundamental factor for their continuous growth.

MSL's consultancy activitites concentrate on the search and selection of executive staff for all functional areas: management, sales, marketing, controlling, personnel, MIS/EDP, production, construction and development.

MSL knows the top-level and middle-management decision-makers in the most important industries and is classified by such

Consultants in executive search in Germany and throughout the world.

MSL INTERNATIONAL MANAGEMENT CONSULTANTS

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executives as the company to consult when looking for alternative employment. For every important field MSL has specialized consultants.

MSL Deutschland GMBH presently employs on a partnership basis eight prolific consultants. In 1985 a fee volume of 4m. DM was achieved. ☐

DAIMLER-BENZ, the world's oldest automaker and West Germany's largest industrial undertaking, enters its second century in 1987 with an impressive presence in the United States, where Gottlieb Daimler started the auto industry shortly after he participated in its birth in his own country.

In 1888, eight years before Henry Ford's Quadricycle was born, Daimler and John Steinway, the American piano manufacturer, signed a licensing agreement to produce Daimler products in the United States. Their agreement included engines, light trucks and passenger cars, and this act essentially founded the automobile industry in the Americas.

The Steinway organization initially contracted with a machine shop in Hartford, Conn., to build gasoline engines. The initial emphasis was put on producing engines for boats and other mobile-power applications. It moved toward automobiles after the turn of the century, when motoring became more popular.

From these beginnings, the Stuttgart-based firm has broadened its American horizons to include three major subsidiaries:

—Mercedes-Benz of North America, distributor of Mercedes-Benz cars and industrial engines, with headquarters in Montvale, N.J.

—Freightliner Corporation, manufacturer and marketer of heavy-duty (Freightliner) and medium-duty (Mercedes-Benz) trucks, with headquarters in Portland, Ore.

—Mercedes-Benz Credit Corporation, with headquarters in Norwalk, Conn., serves Mercedes-Benz and Freightliner dealers with a wide array of financial services.

In addition, recently acquired Daimler-Benz subsidiaries AEG, Dornier and MTU have sales activities in the United States.

MBNA's 432 sales and service dealers sell nearly one-fifth of the Daimler-Benz production of passenger cars, making it the parent company's largest sales subsidiary.

MBNA dealers sold more than 93,000 units in 1986, and expect to market more than 100,000 in 1987. Fourteen Mercedes models are now offered in the United States. The increased number of models offer the U.S. consumer an even wider range of body sizes and engine combinations. From the popular 190 series to the exclusive 560SEC, the three-pointed star has enjoyed increased popularity as evidenced by the more than 900,000 Mercedes-Benz cars now registered in the United States.

More than 1,600 persons are employed by MBNA, the Mercedes-Benz dealers have an additional 10,000 employees. The company has seven zone offices—Montvale, Baltimore, Jacksonville, Houston, Chicago, Los Angeles and San Francisco,—to serve the dealer organization with sales and service support.

In addition, MBNA operates four training centers in Montvale, Jacksonville, Chicago, and a recently modernized facility in San Francisco, to keep dealership technicians up-to-date on the various technical advances in the company's expanding product line.

MBNA also has five parts distribution centers located near dealers and transportations hubs. A sixth parts center is under construction in Ft. Worth to serve the Southwest.

Mercedes-Benz passenger cars are shipped from Germany to the ports of Baltimore, Jacksonville, Houston, Los Angeles and San Francisco, where each is inspected at a vehicle

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Allianz

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NALAC is a German American firm and a member of the growing group of ALLIANZ OF AMERICA companies. Headquartered in Munich, the ALLIANZ group is one of the largest families of insurance firms in the world. Through NALAC, and in conjunction with ALLIANZ, German American businesses can benefit from knowledge, understanding and solid financial strength.

For more information, contact:

Michael M. Zyball, International Markets Department, North American Life and Casualty Company, 1750 Hennepin Avenue, Minneapolis, Minnesota 55403.
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Company
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Address (City, State, Zip)

preparation center.

To make sure cars continue to meet federal and state emission standards, the company also operates emission laboratories in Ann Arbor, Mich., Denver and Los Angeles, as part of its research and testing operations.

In addition to passenger cars, Mercedes-Benz industrial engines are sold to manufacturers of electric generators, boats, agricultural equipment, earth movers and other applications requiring mobile power units.

MBNA, along with Freightliner, Mercedes-Benz Credit and Mercedes-Benz Canada, is one of the companies that make up Daimler-Benz of North America Holding Company. In 1986 these firms employed 7,000 persons, 2.33 percent of the approximately 300,000 persons employed by Daimler-Benz in 170 countries in which the company conducts its business. □

MERKUR (pronounced *mare-koor*) is a brand of driver-oriented European performance automobiles sold in limited number by Lincoln-Mercury-*Merkur* dealers.

Sales of European-made automobiles have increased steadily in the U.S. during the last decade. The Merkur brand, established in early 1985, gives select Lincoln-Mercury-Merkur dealers entry into this growing market with automobiles designed and engineered by Ford in Europe. Ford has been building automobiles in Europe for more than 75 years—longer than many other established auto makers.

Merkur will eventually become a complete line of European automobiles with sales potential of 100,000-plus units annually.

The first Merkur model, the XR4Ti sports coupe, was introduced in the U.S. in March of 1985. XR4Ti is a two-door hatchback designed by Ford of Germany and based on the European Ford Sierra. XR4Ti is built by Karmann, the renowned German coachbuilder. It is powered by a turbocharged 175-horsepower four-cylinder engine, mated to a five-speed manual transmission, and can accelerate from 0-60 mph in 7.8 seconds. XR4Ti is a five-passenger rear-drive automobile with rack-and-pinion steering, independent suspension and a well-equipped interior.

To date, more than 20,000 XR4Tis have been sold through 750 Merkur dealers in the U.S.

A second Merkur model, the Scorpio touring sedan, is scheduled to debut in May of 1987. Scorpio is a five-passenger four-door automobile built by Ford of Germany. It is powered by a 2.9-liter V-6 engine, has independent suspension, a standard Anti-lock Brake System (ABS) and a highly detailed and spacious interior. Scorpio was named *Car of the Year* when it was introduced in Europe, a title earned only after the scrutiny of 54 journalists from 17 countries. It also won the German Safety Award and 16 other prestigious honors.

Availability of Scorpio will be limited to about 10,000 units annually. □

The METALLGESELLSCHAFT AG was incorporated in 1881 as a joint-stock company to carry on a longstanding Frankfurt metal trading business. In the course of the over a century which as passed since then, Metallgesellschaft continuously expanded its activities by establishing a new or acquiring existing plants and by merger with or participation in other companies. Today, the group of companies thus formed presents itself as a widespread organization in the fields of basic materials and capital goods as well as engineering and construction.

Metallgesellschaft is one of the most important enterprises of West German industry; with a worldwide turnover of almost DM 15 billion it ranks among the largest corporations of the Federal Republic of Germany. The MG Group with almost 25,000 employees worldwide engages in the exploitation and beneficiation of ores and industrial minerals for supply to its own smelters or chemical plants. Part of the metals produced as well as metals from other sources are processed into semi-finished and finished products in works of the Group. Together with the metal processing goes the manufacture of plastic goods by similar technologies. Metallic components of ores and their sulphur content form a basis for the production of chemicals, expecially sulphuric acid, sulphur dioxide, white pigments, filters, barium, caesium, lithium and sodium compounds.

The trade in raw materials which was originally restricted to metals and ores, now also extends to other commodities: Sulphur, phosphates, fluorspar, methanol, alumina, rubber, iron ore, manganese ore, molybdenum, ferroalloys, coal, crude oil and mineral oil products. The tasks connected with production, distribution and trading made it advisable to provide integrated transport and insurance services. The financial transactions of MG performed on an international scale are entrusted to its own bank.

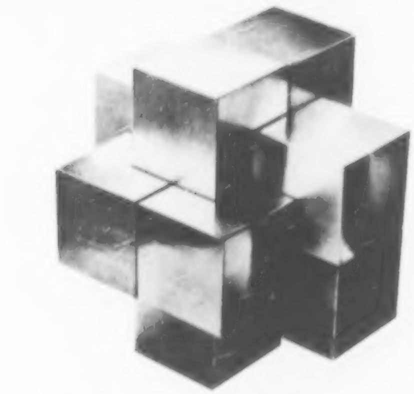
The technological know-how, especially in the fields of ore preparation and smelting, chemical production, petroleum processing, upgrading of solid fuel, and environmental controls is offered on a world-wide basis by the Group's engineering company, Lurgi GmbH. This extensive diversification is reflected by the grouping into 21 different Operating Divisions, which are largely independent and responsible for current business. These Operating Divisions are grouped in 5 Corporate Divisions.

MG Services Company, New York, specialists in counter trade and barter, serve a wide variety of corporate and government clients. □

The Morgan Bank

MORGAN GUARANTY TRUST COMPANY—also known as The Morgan Bank—is the principal subsidiary of J.P. Morgan & Co. Incorporated, an international financial services organization whose clients include corporations, governments, financial institutions, and individuals. Headquartered in New York City, Morgan has nearly 30 branches and respresentative offices in the world's major financial centers. The Morgan Bank ranks fifth among American banks in size of assets and second in terms of shareholder's equity.

In addition to a broad range of traditional commercial banking functions, Morgan offers clients a variety of resources. These include Eurobond underwriting, trading, and distribution capabilities, advisory and execution services for mergers, acquisitions, and divestitures, and a worldwide network of financial analysts who help clients with capital structure analyses, joint ventures, and alternative financing techniques. Morgan is a leading market-maker in all major currencies and a primary dealer in securities of the United States Treasury and federal agencies. Trust and pension fund management, financial and investment counseling, and fiscal agency services are also among our activities.



A knotty problem.

If Alexander the Great had been confronted with this puzzle instead of the Gordian Knot, world history might have been quite different. It's the so-called Chinese carpenter's knot, a challenge to man's intellect since antiquity.

This replica, cast by Metallgesellschaft experts, consists of six metals we traditionally deal in: zinc, copper, tin, lead, aluminium and nickel. For over a century, Metallgesellschaft has specialized in tackling the knotty problems of extracting these and other key metals and making them available to international markets.

To find out more about Metallgesellschaft's worldwide capabilities, just contact us.
We solve the knotty problems.

Metallgesellschaft.
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long-term partner.

Metallgesellschaft Corp.* · The Ore & Chemical Corporation** · MG Services Company, 520, Madison Ave., New York, NY 10022 · Metallgesellschaft AG, Reuterweg 14, D-6000 Frankfurt/Main · Metallgesellschaft Ltd.,*** Three Quays, Tower Hill, London EC3R 6DS · Further offices in Athen, Beijing, Braamfontein, Bucharest, Hongkong, Istanbul, Jakarta, Kuala Lumpur, La Paz, Lima, Madrid, Manila, Melbourne, Mexico City, Milan, New Delhi, Paris, Riyadh, São Paulo, Seoul, Singapore, Taipei, Tehran, Tokyo, Toronto, Vienna, Zagreb.

* Member of New York Mercantile Exchange ** Member of Comex
*** Ring Dealing Member of the London Metal Exchange

The Morgan Bank serves the needs of its German clients in all of the world's major financial centers, particularly in New York, Frankfurt, and London, where teams of professionals are assigned exclusively to German clients. In Germany, Morgan is represented through its Frankfurt branch office and its affiliate, Morgan Guaranty GMBH, which is active in the underwriting, dealing, and distribution of DM securities. ☐

NIXDORF COMPUTER

NIXDORF COMPUTER develops, manufactures, markets and supports computer systems and peripherals for data and information processing. The company is one of the leading suppliers of business oriented solutions in the international computer industry.

The Company's sales and service network covers 44 countries with emphasis on Western Europe and the USA. Nixdorf is also active in Australia, New Zealand, Japan, Hong Kong, Korea, Singapore, Sri Lanka, the Philippine Islands, Latin America and Africa.

Computer and peripheral systems are produced by Nixdorf on an international job sharing basis, where many of the plants provide individual components for use in further production. Factories in Germany are located in Paderborn, Berlin and Cologne. Outside Germany, production plants have been established in Ireland (Bray/Dublin), Spain (Toledo), America (North Reading, Mass.) and Singapore.

Nixdorf development activities are also based on international cooperation. Nixdorf's American development sector has been carefully built up in order to ensure direct access to the most significant technology market internationally.

Users of Nixdorf systems include both medium and large sized companies in the retail, banking, manufacturing, distribution, service and public administration industries. These customers are supported by a sales and service organization largely run by Nixdorf itself. In Germany and in some other countries, this network is supplemented by agents for the company.

Nixdorf employs approximately 25,000 personnel (30th June 1986). Most of the staff are involved in service functions such as consulting, administration, technical service and trading. These services are available to the user in all phases of computer implementation, offering well-informed market-oriented support.

The workstation-oriented design of the computer systems and the capacity for branch-related specialization in the sales and service organization are decisive factors in the Nixdorf solutions concept. And the success of this concept is reflected in the steadily increasing market shares in Germany and worldwide. ☐

NORTH AMERICAN LIFE AND CASUALITY COMPANY is a member of the Allianz of America family of companies, a growing German-owned insurance group in the United States.

NALAC provides Universal Life policies, term insurance, annuities, disability insurance and accident as well as stop loss coverage for self-funded health insurance plans.

Established in 1896, the Company was purchased by Allianz in 1979. Life insurance in force has grown to over $17 billion. The company is licensed in 49 states (Preferred Life in New York) and now ranks among the top 5% of all life insurance companies doing business in the United States today.

Best's Insurance Reports, accepted by the life insurance industry for its fair and comprehensive reports on insurance company operations, has assigned NALAC an "A+" (Excellent) rating. This excellent rating reflects Best's opinion of the relative strength of NALAC compared with other companies based on averages within the life and health insurance industry.

NALAC's Individual Life Insurance Division concentrates its marketing efforts toward the independent producer or broker. Regional Sales Offices offer to such independent producers products and services which are primarily designed for the business and business owner.

Mass marketed Group Insurance Products are specifically designed for Associations and self-funded plans.

Based on its specific strength in the business insurance market and as a member of a worldwide operating insurance group, NALAC has committed itself to the German American business community. As coordinator of the Group Insurance program sponsored by the German American Chamber of Commerce, NALAC is a central partner in this service package for small to medium-sized companies. NALAC is extremely responsive to German American businesses—large or small—so that these companies can benefit from knowledge, understanding and financial strength. □

OLYMPIA

A subsidiary of AEG, OLYMPIA began its distribution of Olympia precision engineered office equipment in the United States in the 1950's. The company's success in the American market is the result of careful market analysis and planning, and systematic program implementation.

Because the United States has long been viewed as one of the world's most important business machine markets, Olympia USA was organized as one of Olympia's most comprehensive sales and service networks.

Today, Olympia USA is comprised of headquarters in Somerville, NJ, and regional sales offices and service centers in New York, Chicago, Los Angeles, San Francisco and Atlanta; and a network of more than 1300 office machine dealers—the most highly respected dealer organization in the office equipment industry.

Each Olympia dealer is established—through extensive corporate training and continuing marketing and service support from Olympia USA—as an office equipment specialist with the expertise needed to supply local customers with equipment solutions that best meet their current and future office automation needs.

In the United States—as in the rest of the world—customers from virtually every sector of the economy have come to depend on Olympia to provide them with high quality business machines that meet the increasingly complex demands of their business communications and operations. □

PREUSSAG

PREUSSAG was founded in Berlin in 1923. The Company, originally purely mining oriented, is today engaged in mining, smelting and trading of metals, plus transportation, energy and construction.

PREUSSAG AG, parent company of the PREUSSAG Group, ranks, with a share capital of DM 402 Mil. and approximately 31,239 employees, among the top 50 industrial enterprises in West Germany. The sales of PREUSSAG Group (world) in 1985 totalled DM 12.0 billion.

The Metal Division's business includes prospecting, exploring, smelting and processing of non-ferrous and pure metals with a total smelting capacity of 175,000 mt of zinc and 160,000 mt of lead. The London-based Amalgamated Metal Corporation PLC (AMC) and its Group Companies are active in international metal trading, in tin smelting and in other activities.

A leasing fleet of about 23,000 rail tank cars, 60 inland waterway ships and various inland and seaport tank farms form part of the services of the Transport Division. Furthermore 82 OSA supply ships are providing worldwide services for offshore drilling and production activities.

Natural exhaustion of domestic oil and gas production deposits led PREUSSAG to international exploration activities, partly concentrated in the United States, by participating through affiliated companies and subsidiaries in oil and gas producing properties, i.e. offshore Louisiana.

The main activities of the Construction Division in Germany and abroad are excavation, pipeline and waterworks construction and fire protection equipment.

In 1985 PREUSSAG took over the majority of the C. Deilmann AG share capital. The Deilmann Group is engaged in exploration and production of petroleum and natural gas, exploration and mining of uranium and production of peat. Furthermore it offers mining, drilling and building services and undertakes in the metal processing sector, the design and construction of industrial installations, as well as general engineering. □

Price Waterhouse

PRICE WATERHOUSE is recognized as one of the premier professional service firms. Our professionals provide a wide range of innovative accounting and auditing, tax, management consulting and specialized services to a diverse, worldwide clientele. Price Waterhouse member firms maintain more than 350 offices in 94 countries and territories, with a total staff of 25,000 men and women. The U.S. firm has 93 offices with over 700 partners and a total staff of over 8,500.

Our existing practice, which includes many of the most prestigious companies in the world, has earned us a reputation as a leader in providing the highest quality services. This position is the culmination of decades of constructive and innovative service to our highly valued clients.

Price Waterhouse and Treuarbeit's source of services, depth of experience and diversity of clients results in the collective and longstanding resources needed to provide superior and distinctive services. A total staff of over 1,000 professionals including 230 Wirtschaftsprüfer is located in offices in Berlin, Bonn, Bremen, Düsseldorf, Frankfurt, Hamburg, Hanover, Kassel, Kiel, Munich, Saarbrücken and Stuttgart.

Accounting and auditing—We audit the business, not just the books. Our clients receive services tailored to their specific circumstances, based on a thorough understanding of the business and the environment in which it operates. With our audit, management can be assured that we look for all opportunities for improvements. Our recommendations often point the way to significant economies, in addition to helping protect assets and provide more meaningful information to management.

We have U.S. professionals who are knowledgeable with generally accepted accounting principles and reporting requirements of German-owned businesses. They are also familiar with the EEC 4th and 7th Directives

PREUSSAG

Preussag Aktiengesellschaft, headquartered in Hannover, is the Holding Company of a Group with interests in manufacturing, trading and rendering services.

Preussag's domestic activities include
- mining of non-ferrous metal ores, production of lead, zinc and their alloys as well as pure metals,
- leasing of railroad tank cars, operating of inland waterway ships and offshore supply boats as well as tank farms,
- exploration and production of oil, gas and coal,
- construction services.

The international part of the Preussag business was of increasing importance during recent years. A breakthrough was the acquisition of a major shareholding in Amalgamated Metal Corp. PLC, (AMC), London, which enabled Preussag to obtain access to the trading on the London Metal Exchange and to offer worldwide services in non-ferrous metal trading besides AMC's interests in tin mining, tin smelting and other activities.

Sales of the Preussag Group (world) in 1985 totalled DM 12,0 billion, the number of persons employed was 31,239 and a dividend of DM 64 million was payed on the share capital of DM 402 million.

1 Shovel loader picking up loose rock at the Preussag Rammelsberg ore mine
2 Four axle tank cars transporting mineral oil products
3 Drilling rig National 1320 VE at the Hindelang drill site
4 Minimax skid mounted „Fire Fighter" units tailor made for fire on ships and offshore plattforms

Preussag AG · Leibnizufer 9 · 3000 Hannover · Germany and have bilingual capabilities to facilitate communications.

Implementation of the EEC Directives is imminent, either voluntarily or by mandate. In addition to requiring consolidated financial statements, they also affect the internal reporting of foreign subsidiaries when submitting financial statements to German parent companies. Our professionals can assist management in complying with the Directives.

Tax services—Almost every business decision has tax implications, and close attention to tax planning and compliance has become increasingly important for business and individuals. Price Waterhouse tax professionals work closely with management to help minimize taxes and cope with ever expanding tax rules. They provide a full range of services, including: tax planning and tax return preparation; assistance with tax audits, expatriates and nonresident aliens. In addition, we have sophisticated computer-based systems that calculate foreign source taxable income, foreign tax credits, earnings and profits, and earnings repatriations.

The constant change in rules and regulations for doing business at home or abroad makes it imperative that we keep management informed. Among others, we do this by preparing a series of guides that provide comprehensive information on accounting and tax regulations, investment climates, and other business issues in individual countries. Of special interest to German/U.S. businesses are our publications, Doing Business in Germany, Doing Business in the United States, Investitionen in den U.S.A., U.S. Citizens Abroad, Foreign Nationals in the U.S., Doing Business in the European Communities, Investieren in U.S. Immobilien, Getting Government Help, and several bilingual guides for doing business in individual key states. These publications are available through our offices worldwide.

Management consulting services—Our worldwide complement of experienced consultants can provide practical advice on all facets of business operations, including financial management, information processing, EDP and inventory control systems, office productivity, strategic planning and comprehensive marketing services. Our management consultants help businesses define their goals and develop and implement the necessary strategies, organizational structures and information systems. □

Rodenstock

The RODENSTOCK GROUP, with headquarters in Munich, is one of the world leaders in ophthalmic optics. The family-owned company entered its second century of operations in 1977 under the management of Professor Dr. Rodenstock, until recently the president of the Federation of German Industries (BDI).

In addition to six plants and eleven branches in Germany with over 6,000 employees, there are four German and seventeen foreign subsidiaries with several manufacturing facilities.

Rodenstock products cover a wide range: ophthalmic lenses, a comprehensive line of plastic and metal frames and sunglasses, precision optics for commercial, industrial and scientific applications including photographic, enlarging, reproduction and X-ray objectives as well as a complete line of ophthalmological refracting and diagnostic instruments and automatic processing equipment for opticians.

In the United States the Group maintains the following operations:

Rodenstock USA, Inc., Danbury, CT

Rodenstock Corporation, Yauco, PR

Rodenstock Precision Optics, Morton Grove, IL

Felix Mendelson Co., Los Angeles, CA

A full range of progressive lenses, refracting and diagnostic instruments produced in Germany and the WECO instrument line are represented in the United States by Coburn Optical Industries, a Revlon subsidiary.

Steady growth and expansion continue to mark Rodenstock's active engagement in the United States. □

sto®

STO INDUSTRIES, INC., headquartered in Rutland, Vermont, is the American subsidiary of STOTMEISTER GmbH in Stuhlinger-Weizen, West Germany, one of the world's largest manufacturers of protective and decorative synthetic-resin wall coatings. STO products are recognized worldwide for their versatility, durability, thermal properties, cost savings and attractive appearance.

Historically, operations commenced in 1936 when Wilhelm Stotmeister secured a one hundred year old lime and cement business. Stotmeister & Company was to become a leading manufacturer not of lime, but of a new type of plaster which could successfully be applied to all types of substrates in both interior and exterior applications. In 1955, Stotmeister founded the Ispo Putz Company, the first manufacturer to produce and market the new synthetic-resin coating product under the name of ISPO Plaster.

In less than a ten year span and after intensive research, development and refinement, the first STO Exterior Insulation Systems and Finishes were installed on a highrise. The rapid dissemination of STO products which followed was coupled with the expansion of existing facilities, and by the creation of new manufacturing plants, sales offices and distribution centers throughout Europe. Stotmeister GmbH now operates the largest and most technologically advanced automated production facility in the industry.

Today, the product line for the STO network of companies includes:

Exterior Insulation Systems
Interior and Exterior Coatings
Concrete Restoration Systems
Acoustical Insulation Systems

STO Industries, Inc., established in 1979 as STO Energy Conservation, Inc., is a direct result of the U.S. expansion of Stotmeister GmbH. The construction of a major production facility in Rutland, Vermont in 1980 also marked twenty five years of STO synthetic-resin development and production. In a relatively short period of time, STO Industries, Inc. has firmly established itself in the U.S. through the successful marketing of STO Exterior Insulation Systems, and STO Interior and Exterior Coatings.

High quality STO materials and technological expertise have been selected repeatedly for a multitude of major building projects. Clients such as BMW, Marriott Hotel, Porsche, AT&T, Holiday Inn, IBM, and the U.S. Army Corps of Engineers stand as testimony to STO's worldwide reputation for excellence. STO Coating products were the ideal choice for the authentic restoration of New York City Hall. With the only exterior insulation system approved for installation in New York City, STO Industries, Inc., successfully met New York's requirements and fire codes for noncombustible materials—the strictest in the world.

To further broaden its base in the one coat stucco market, STO GmbH, through its wholly owned subsidiary, OTS Capital Corp., recently acquired Powerwall Corp. of San Antonio, Texas, and Powerwall of Phoenix, Arizona. These acquisitions, when considered with its separate ownership and operation of recently expanded STO Industries, Inc., of Rutland, Vermont, result in a significant expansion of production facilities to serve major markets within the United States.

Additionally, STO Industries, Inc., which established a southern regional distribution center in 1981, has also significantly expanded its production capabilities by the building of a new manufacturing facility in Atlanta, Georgia. This plant will also house its national sales headquarters and conference center.

These considerable market and production expansions solidify the company's forward momentum by broadening services and providing a full range of high quality products to the construction markets across the country as the industry itself continues to move forward.

Corporate headquarters, research and development facilities for Stotmeister GmbH remain in Stuhlingen-Weizen, with numerous manufacturing, and localized R & D facilities in Switzerland, Germany, and the USA, distribution companies in Austria and France, and joint ventures in England and Scandinavia. □

Salomon Brothers

One of the oldest and largest investment banking firms in the United States, SALOMON BROTHERS INC., is an international investment banking firm which makes markets in securities and provides a broad range of underwriting, financial advisory and research services to governments, corporations and institutional investors around the world. Headquartered in New York, the firm serves 4,900 customers worldwide through its international offices in London, Tokyo, Zurich and Frankfurt (opening in late 1986) and U.S. domestic offices in Atlanta, Boston, Chicago, Dallas, Los Angeles and San Francisco. Securities purchases and sales surpassed the $3 trillion mark in 1985. The year's average daily net inventory of securities was $18.3 billion. The firm's capital at the end of the year was a record $2.3 billion.

Salomon Brothers has been the leading firm in domestic securities underwriting for the past three years. The firm has become a leader in traditional syndicated equity offerings, block and options trading and stock index futures, as well as innovative equity financing techniques. A combination of distribution skill and client service accounts for Salomon Brothers strong performance in the debt and equities markets in 1985 capturing a 31% share of the debt market and a 14% share of the equity market. In private placements, Salomon Brothers has placed approximately $30 billion of private financings during the past six years—ranking first in volume during five of those years. During 1985, Salomon provided merger, acquisition and divestiture assistance to over 160 clients resulting in over 100 transactions ranging in size from $10 million to over $6 billion.

Salomon Brothers has long been noted for its risk orientation in the service of clients as it underwrites and trades on an international scale. In 1971, Salomon Brothers established Salomon Brothers International Limited which provides a full range of financial services including international financings, advising on such matters as listing requirements, investor relations and choice of co-managers. A leading market maker in the secondary market, the London office trades in over 1000 issues from many countries, denominated in all principal trading currencies. In addition, Salomon Brothers' experts initiate a number of specialized transactions involving currency risk management for many international cor-

Gaining Nearly 100 Years of Insight into Doing Business in the U.S. Today.

When establishing your German-owned business in the U.S., it's naturally important to know as much about the potential obstacles as it is to be apprised of the opportunities.

For nearly 100 years, Price Waterhouse professionals have worked extensively with foreign-owned companies arriving in the United States. Our existing practice, which includes many of the most prestigious companies in the world, has earned us a reputation as a leader in providing the highest quality services.

We can provide your firm with the financial and business insights to not only help you start out on the right foot, but which can help you prosper in the years ahead. Some of the areas where we can be helpful to you are:

- Individual and corporate tax planning
- Real property investments and joint ventures
- Mergers and acquisitions
- Marketing Services
- Strategic planning
- Productivity improvement studies
- Industry economic forecasts
- Management information systems

So if you're conducting business in the United States, or are thinking about it, remember to gain as much insight into the current business environment as possible.

Begin by contacting (in English or German):

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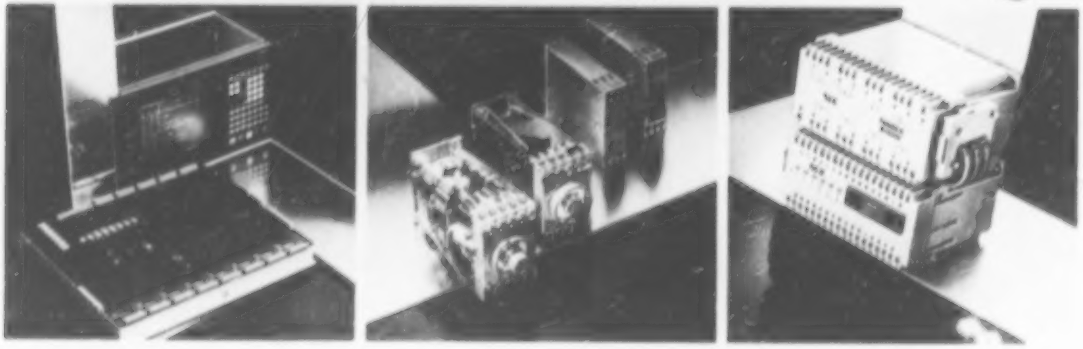

Schleicher products are moving the scene in the relay, control and technology field. By innovation, precision and economy. Since five decades. Worldwide.

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D–8000 Munich 45, Tel. (089) 3181080, Telex 523925 srem d

SCHLEICHER

porations. Among these financing techniques are currency swaps, long-term forward contracts and currency options.

Another outstanding capability of Salomon Brothers is its economic and financial research, which is integrated with customer and market intelligence flowing through the trading rooms. Under the direction of Henry Kaufman, via four departments, the firm's Research Department has more than 365 professionals worldwide in four areas: Bond Portfolio Analysis, Equity Research (covering 500 companies in 40 industries), Bond Market Research and Corporate Bond Research.

Research products include analyses of domestic and international fiscal and monetary policies, credit flows in the U.S. economy, currency-related securities values, yield differentials, corporate capitalizations, institutional portfolio strategies and analytical reports on industries and corporations. The Bond Portfolio Analysis Group performs a highly sophisticated service for institutional investors, advising customers on the structure of portfolios.

Salomon Brothers' performance is achieved through global teamwork whose common principal resources are people, capital and technology. □

SCHLEICHER

When you come from the city of Berlin to Spandau you will recognize from a distance already the blue hexagon on the striking yellow building: symbol of a successful traditional enterprise. Founded in 1937 by Senior Engineer Otto SCHLEICHER and—after destruction and dismantling—newly established and developed to a modern industrial enterprise by his son, Senior Engineer Helmut Schleicher, the Schleicher relay works stand today for manufacturers of excellent precision time delay relays and program control equipment, in Germany and in the world. From the very beginning it was the capability to participate in the technological relay progress by pioneer work which secured the success of the Schleicher relay works. The secret of the success of Schleicher relays is functionality. The convenient time adjustment and range selection, the at-a-glance function display, stylish standardized housings, universal surface and recessed mounting facilities are as convincing for the relay user as the clear plastic cover which reveals the high-precision "interior" of every Schleicher time delay relay.

There is another field in which Schleicher's lead in relay engineering is obvious—the use of modern plastics. Whereas a time delay relay previously consisted of over 260 components, relays have now been reduced to a mere 80 or so precision parts that are simply fitted together.

The technical development activities of the Schleicher works are mainly concentrated on the quality improvement and quality assurance of the mechanical and electronic time delay relays as well as on the necessary expansion in the field of electronic control systems.

From the most simple programmable control system of the compact type to the multiprocessor system for bit and word processing this product range occupies today a large space in the comprehensive Schleicher program.

This technology is manufactured in the Berlin works as well as in the affiliated Munich subsidiary, Schleicher Electronic GmbH & Co. KG, concentrating especially on customer-specific controls.

The Schleicher company offers service in all parts of the world for the relay as well as for the control systems program by competent consultant offices and representatives. □

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GLASS TECHNOLOGIES INC.

Commencing operations in 1969, SCHOTT GLASS TECHNOLOGIES INC., Duryea, Pennsylvania has grown to be the United States' foremost manufacturer of scientific optical glass. With the exception of its parent, Schott Glaswerke, the firm offers the world's most comprehensive variety of optical glasses.

Since the founding in 1884 of the original Glastechnisches Laboratorium Schott und Gen., the Schott name has been synonymous with quality and innovation in glass. Schott Glass Technologies Inc. not only follows in this tradition, but has developed many new glass types for special applications within the Western Hemisphere. This is exemplified by the recent completion of Schott's latest expansion—one of the most modern glass research and development laboratories. Schott is now conducting research for Western Hemisphere customers right here in the United States on a much broader basis.

Schott Glass Technologies Inc. manufactures precision glass products for a multitude of scientific applications. The industries can be broadly described as ophthalmic, scientific optical, as well as numerous highly specialized markets.

Among the ophthalmic products manufactured by the firm are spectacle lens blanks made of traditional white and colored glasses, as well as photochromics, safety, and special purpose glasses. The firm was awarded the Industrial Research IR-100 Award for developing High-Lite®, a special glass which allows high prescription spectacle lenses to be made with greatly reduced thickness. Schott has recently expanded its ophthalmic line with the introduction of SunMagic®, a photochromic sunglass lens which is featured in many of the world's most fashionable sunglasses.

The mainstays of the precision optical product line include over 400 types of glasses to satisfy the needs of optical instrument makers in the Western Hemisphere. Augmenting these glasses are specialty products, such as highly sophisticated laser glasses, radiation shielding glass, scientific color filter glass, glasses for fiber optics applications, and glasses for CRT's and other displays. Many new developments are for specialty applications in the military and industrial fields.

Schott officers are: Franz E. Herkt, President; Henning Fuhrmann, Vice President of Operations; and John G. Gulbin, Vice President of Finance.

IBJ Schroder
Bank & Trust Company

Headquartered in New York, IBJ SCHRODER BANK & TRUST COMPANY is an established wholesale bank and one of the 100 largest banks in the United States. The bank was founded in 1923, when New York was emerging as a major financial center by London Merchant Bankers, J. Henry Schroder & Co.

In contrast to the operating philosophy of many banking institutions today, IBJ Schroder Bank & Trust has gained an outstanding reputation as a relationship bank rather than a transactional one. In this regard, its bankers concentrate building long-term client relations which enable them to fully understand and help fulfill all their clients' financial needs.

The bank regards itself as the financial gateway for foreign investments in the U.S. As a banker to numerous foreign corporations conducting business in the U.S., IBJ Schroder Bank & Trust facilitates their clients reaching their objectives by providing a complete range of financial services.

High quality basic banking services, namely, cash management; credit, from overdrafts to term loans; foreign exchange; letters of credit; and a range of short-term investment vehicles.

Specially tailored products, including fixed rate loans, interest rate hedging, leasing, and multicurrency loans.

Advisory services, including acquisition search and negotiation; trust functions such as pension and profit sharing, management and administration; and advice on optimal tax structures for ownership and funding, and

Experienced account officers who will stay with the relationship over a number of years, many speaking the native language of the client.

The bank also serves a variety of domestic and foreign institutions including central banks located throughout key cities in Europe, Latin America and Asia. The bank provides these clients with correspondent banking services such as clearing of dollar payments, short term money market investments, and custody of securities.

IBJ Schroder Bank & Trust acts as trustee or fiscal agent for billions of dollars of outstanding debt under indentures or agreements for many of the nations' leading corporations, municipalities and governmental agencies. The corporate services include a growing number of processing services for the securities industries, i.e. the bank acts as transfer agent or registrar, as conversion agent for savings and loans associations, as class action distribution agent, as exchange agent, and as depository for tender offers.

Last fall, IBJ Schroder Bank & Trust Company agreed to purchase Aubrey G. Lanston, one of 35 primary dealers in U.S. Government securities. Lanston's services will be of particular value to IBJ Schroder's domestic and foreign corporate and institutional clients. Headquartered in New York, Lanston also has offices in Boston, Chicago and London, England.

The bank also serves high net worth individuals, both foreign and domestic, providing them with private banking and trust services.

IBJ Schroder Bank & Trust Company is a 75.1% owned subsidiary of The Industrial Bank of Japan. IBJ has assets of approximately $168 billion and is one of the few banks in the world rated AAA by Standard & Poor's and Moody's. ☐

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BDO is a leading international accounting organization offering clients professional auditing, tax, financial and management advisory services, nationally and abroad.

BDO has more than 310 offices in 50 countries, and some 10,000 partners and staff. The firm is an organization of prestigious national accounting firms in each country. In the United States, German clients are served by SEIDMAN & SEIDMAN/BDO, a 76-year-old firm with offices in 44 U.S. cities. Our German partner firm, Deutsche Warentreuhand-Aktiengesellschaft, (DWT) is among the largest firms in Germany, with offices in Hamburg, Berlin, Düsseldorf, Cologne, Frankfurt/M., Freiburg, Hannover, Kiel, Lübeck, Munich, Stuttgart, and Wiesbaden.

At Seidman & Seidman/BDO, work for German clients is handled by resident Wirtschaftprüfer and Steuerberater in cities around the country. BDO is presently serving a substantial number of U.S. subsidiaries of German parent companies. Bilingual professionals are fully informed about complex and changing American accounting and tax regulations, and thoroughly familiar with German auditing, accounting and reporting requirements. They have expertise in all major industrial and financial fields.

Along with expertise on the technical aspects of finance and taxation, we understand the environmental, economic, marketing and cultural differences between the U.S. and Germany. This knowledge enables us to assist our German clients with mergers, acquisitions and start-ups in the U.S.

Close working relationships between our U.S. and German partners guarantees prompt, attentive personalized service on both sides of the Atlantic. Our partners are highly regarded in the business community. They can provide the invaluable link to business, financial and legal contacts in the U.S. They have successfully helped many multinational corporations establish new enterprises in the U.S. and provide start-up, international tax structuring, advice and compliance with new consolidation requirements in Germany and Europe. They also assist German companies seeking to have their shares listed on one of the U.S. stock exchanges using American Depository Receipts.

This year, we developed a special service area for foreign investment and appointed Paul E. Neubelt as director. He is a U.S. Certified Public Accountant, who worked and lived abroad for 13 years.

BDO was founded as a European partnership and is the oldest European-based international accounting firm. The partnership was organized, and has grown, in response to the harmonization of trade regulations directed by the EEC. The key to our service is the quality of our professionals, who combine international scope and experience with a thorough knowledge of local accounting and business.

For more information about how BDO can assist your business in the U.S., contact: Paul E. Neubelt, CPA, Gunther Strothe, WP/StB, CPA in New York at: Seidman & Seidman/BDO, 15 Columbus Circle, New York, NY 10023 (212) 765-7500, Telex: 661-903, FAX: 212-315-1613 or H. Peter Thiessen, WP/StB in Chicago at: 111 East Wacker Drive, Suite 2800, Chicago, IL 60601 (312) 644-7400, TWX: 910 221-0381, FAX: 312-565-2499☐

SIEMENS

SIEMENS has a broad based involvement with the U.S. economy and with American business.

There are eight major Siemens companies and a number of other wholly and partly owned Siemens companies incorporated in the U.S. These companies are active in a wide range of technologies including medical systems, telecommunications, office information systems, microelectronics and other components, graphic systems, factory automation, and lighting. Collectively, their sales volume during fiscal 1986 (10/1/1985 to 9/30/1986) was over $2 billion. Located throughout the country and with certain operations overseas, these companies have more than 20,000 employees. This number was expected to be increased when more than 2,000 employees of the present GTE Transmission Systems Division, Tempe, Ariz., became part of the Siemens operations in the U.S. (on or after September 30, 1986).

In addition to the activities of these companies, Siemens AG, the parent company, headquartered in Munich; and other Siemens operations throughout the world, engage in large-scale procurement operations in the United States. The Siemens procurement operation in Iselin, New Jersey, transacts approximately $60 million in purchases from U.S. companies annually.

Further, Siemens AG maintains an active program of technological exchanges and licensing agreements with a variety of American high-tech companies. These are designed to promote mutual benefits through the interchange of specialized information relating to specific areas of expertise of both partners.

Two Siemens service companies support these various activitites. They are: Siemens Capital Corporation, New York City, which provides legal, financial, tax, merger and acquisitions, and corporate relations support, and Siemens Corporate Research & Support, Iselin, N.J., which offers research and development, patents and licensing, procurement, and advertising and design assistance.

Through this comprehensive organization, Siemens maintains its strong commitment to U.S.-German economic co-operation to the mutual benefit of both nations. ☐

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SPRINGER-VERLAG, with more than 10,000 titles in print and an additional 1,000 new titles released yearly, has been a leading international scientific, technical, and medical publisher since 1842. Significant contributions to the fields of mathematics, computer science, biology, chemistry, earth science, engineering, medicine, physics, and psychology are features of Springer-Verlag's list. While reference works are an important aspect of the overall program, Springer-Verlag also publishes original research and advanced texts.

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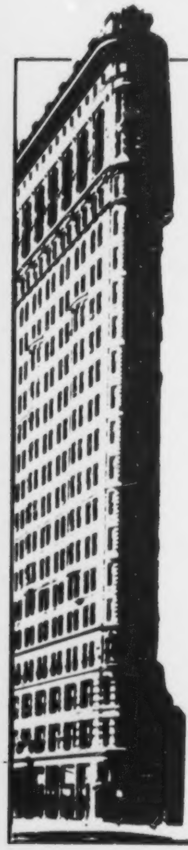
In recent years, Springer-Verlag has been able to strengthen its traditional publishing programs through the acquisition of other highly reputable publishers such as the Dietrich Steinkopff Verlag (1980), Physica Verlag (1983), and Birkhauser Verlag Basel/Boston/Stuttgart (1985). Springer-Verlag has served the international scientific community for more than 140 years, and it is with growth like this that it plans to continue to serve the information needs of the world.

Founded in 1964, Springer-Verlag New York, Inc., was established as the North American marketing center for European titles, but soon developed a flourishing English-language program of its own. Today, Springer-Verlag New York, Inc., houses full production, editorial, marketing, sales and distribution departments for both books and journals. Excellence in production and the emphasis on English as the scientific language of choice has strengthened the impact of Springer-Verlag New York, Inc., upon the North American medical and scientific community.

With the recent addition of a sales office in Hong Kong to better serve the People's Republic of China and Southeast Asia, Springer-Verlag continues to expand its efforts to publish the finest scientific, technical, and medical information as it becomes available. ☐

THYSSEN

THYSSEN INC., a wholly owned subsidiary and member of the West German Thyssen Group, is a major U.S. and international trading concern, which has its headquarters in New York City.



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The steel products of the Thyssen mills as well as industrial products of various Thyssen enterprises have been sold in the U.S. for many years. As the demands for these products increased, it became necessary for the Thyssen Group to establish a company to facilitate communications, order entries and achieve more complete penetration between Thyssen and its customers.

Thyssen Inc. was founded in mid-1959. Since its formation, Thyssen Inc. has continually expanded its U.S. and international operations by adding various new lines of activities to the original business of importing steel. As a result, Thyssen Inc.'s organizational set-up was restructured in the beginning of 1981 with the formation of three major divisions, Thyssen Steel Co., Thyssen Carbometal Co. and Thyssen Rheinstahl Technik Co. Thyssen Mining Equipment continues to sell and distribute mining equipment, operating as a division of Thyssen Inc.

Thyssen Steel Co. expanded its direct domestic sales representation with offices in Houston and Los Angeles and with the formation of divisions and/or subsidiaries to handle and establish various additional lines of business.

In the 1970's, Thyssen Steel Co. entered the domestic market of steel warehousing with the establishment of Thyssen Metal Service/Southwest and later on with Thyssen Metal Service/Southeast, Thyssen Metal Service/West Coast and Thyssen Steel Detroit Co. These service centers and distributors supply the Southwest, Southeast, Northeast, the Midwest and Great Lakes areas and the West Coast respectively with rolled steel products.

At the same time, Thyssen Carbometal Co. established a worldwide business in raw materials, mainly coal and iron ore, steel scrap and secondaries.

Today the combined operations of Thyssen Inc. employs almost 250 people in various parts of the country. The company's activities include international raw material trading, warehousing and steel service center operations in the U.S., as well as sales of industrial products and mining equipment.

With such dynamic growth, Thyssen Inc. has become a major factor in the domestic steel community and in international trading. □

TRANSATLAS AIR-DIVISION, at 7000 Stuttgart 23 Airport, is the initiator and coordinator of the vital, still growing INTERNATIONAL TRANSATLAS-GROUP, a club of 140 related GROUP-MEMBER-COMPANIES, cooperating bilateral and multi-lateral worldwide.

Transatlas Air-Division, with its own offices at 6092 Kelsterbach, Im Taubengrund 13, postal address: 6000 Frankfurt 75 Airport, P.O. Box, is managed by Mr. Rudolf Eulner, district manager.

In New York JFK, at 167-21 Rockaway Boulevard, Jamaica, N.Y. 11434, and under the name of AERO SPACE CARGO, INC., a Division of TRANSATLAS Stuttgart, President: Mrs. Naomi Meyer, Vice-President: Mr. Bill Meyer, as in Frankfurt and Stuttgart, we are IATA-licensed cargo-agents, independent air-consolidators and international airfreight-forwarders.

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ber company of the INTERNATIONAL TRANSATLAS-GROUP. For names, location, telephone and telex numbers, see our ad, close to this company profile.

All Germany TRANSATLAS group-members are also acting as co-loader in our scheduled worldwide consolidations, consigned to group-member companies at the port of destination. Most of them operate bonded warehouses, as our company AERO SPACE CARGO, INC., New York/JFK, with customs inspector available also after office hours, or on holidays, in case of top emergency.

Many member-companies operate a fleet of their own trucks for pick up and delivery. For instance our group-member for Japan, SEINO COSMO EXPRESS COMPANY, is the exclusive TRANSATLAS group-member for Japan, operating over 6,000 trucks, employing more than 10,000 employees, with offices at each Japanese airport and all over the country, as no other Japanese forwarder offers.

We, for instance, offer to 140 destination airports the possibility of free domicile delivery at competitive terms, delivered and reported by telex to whom and when, similar as courier-services offer. To most of the hard currency countries, where most airlines refuse to accept COD shipments, we accept COD delivery within the INTERNATIONAL TRANSATLAS-GROUP-MEMBER-ORGANISATION in most cases. Please check with us.

The goal of the group is the cooperation between all group-members, to start new consolidated services with other group-members and to bring in existing consolidations and the development of such, with the receiving group-member, wherever on the globe.

The annual IATA sales of Transatlas Germany, according to the IATA statistics, show an increase of 70% in IATA turnover the last 4 years, which reflects the activity and the acceptance of our worldwide service-system by our international customers in airfreight import and export affairs. With pleasure we announce, that we are also recommended by our friends and business partners worldwide.

The names TRANSATLAS AIR-DIVISION and THE INTERNATIONAL TRANSATLAS-GROUP are guarantee for first quality in international air-transport, due to export handling from door to door.

We and the group live up to our slogan: "The confidence of those we serve, is the foundation of our progress." Please try us—you will like our services. It is our pleasure to be of service to you! If satisfied, please recommend us to your friends, as many of our customers do! □

UNION AIR TRANSPORT GmbH, their headquarters being located in Baldwin, New York, opened its first USA offices in 1959. The company now has 11 operational offices in the United States, and is an affiliate of one of the largest West German forwarders, UNION-TRANSPORT GmbH, in Duesseldorf.

All phases of forwarding services, including export/import, NVOCC and expediting operations are handled by Union Air Transport's 2,500 highly qualified employees. Spear-headed by Mr. P. Robert Doernte, General Manager for North and South America, the vast network is continuing its expansion in the Americas.

Each branch has its own warehouse operation, and their experienced staff and modern equipment offer all shippers an excellent customer service.

Union Air Transport's offices are equipped with the latest operational software ensuring that customers receive the best service available. From a shipment tracing system to an on line information retrieval system to an electronic document transmittal system, Union

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Air Transport maintains a state of the art computer center, the sole function of which is keeping current with available software, while custom tailoring customer's specific needs whenever and wherever possible. Furthermore, we are compatible with most hardware, enabling customers to tie into our systems.

Union Air Transport's air and ocean departments continue to service their clientele better than ever before. Their activities, facilities and services are updated and expanded constantly. During the past year their NVOCC Service to European destinations was initiated and is now fully operational, with expansion planned to several other destinations. This new operation should contribute to another successful year in the company's long history.

VAW
aluminum

V.A.W. OF AMERICA, INC. has been operating in Ellenville, New York since October 1965. The company, wholly owned by Vereingte Aluminum-Werke AG-Bonn, is a major producer of aluminum billet and semi-fabricated products. The V.A.W. Ellenville plant consists of an aluminum casting operation for the production of over 100 million pounds of billets in various sizes and different alloys. This constituted the basis for construction of the firm's extrusion presses and its tube drawing and rigid conduit production facilities.

Since 1979, V.A.W. has been operating a second plant in the United States, located in St. Augustine, Florida. This plant produces the same range of extruded and drawn aluminum products and is equipped with the most advanced electro-static paint line, enabling V.A.W. to supply coated aluminum extrusions and tubing.

In an area of aluminum extrusions, V.A.W. operates seven large presses covering the entire range of shapes from small, lightweight profiles for the building market, to heavy and complex configurations in various aluminum alloys for the construction, transportation and electrical industries. A major specialty in extrusions has been the development of close tolerance tubing and pipe, used for example in lighting standard and sailboat masts. Through years of technical development, V.A.W. expertise in these areas has led to major breakthroughs for the fabricating industry.

Another major product line is drawn aluminum tubing. The availability of advanced equipment (such as cable hydraulic draw benches), combined with technical leadership in the area of tube drawing, has enabled V.A.W. to become a major supplier of tube for consumer durable products and, in particular, outdoor lawn and garden furnishings and other specialty markets.

Over the years, V.A.W. of America has achieved a position as a leading supplier of rigid aluminum conduits for the electrical industry, and distributes aluminum conduits through a network of warehouses throughout the United States.

The V.A.W. operations are backed by a complete R & D and testing laboratory. The laboratory utilizes diverse testing equipment, including ultra-modern electro-spectrographic analyzing machinery.

V.A.W. plans to apply its knowledge and expertise through the years to ensure its continued position as a major supplier of extrusions and tubing to the growing aluminum market in the United States.

VEBA

VEBA, one of Germany's leading companies, is a broadly based industrial and service organization concentrating on electricity, petroleum, chemicals, trading and transportation.

1985 Highlights

Total external sales: DM 48.6 billion. Income before taxes: DM 1.7 billion. Dividend: DM 10 per DM 50 share. Total investments: DM 4.7 billion. Employees: 68,700. Shareholders: 500,000.

Scope of Activity

Electricity: The electric power generating activities of PREUSSENELEKTRA and VEBA KRAFTWERKE RUHR form the backbone of the VEBA Group. PREUSSENELEKTRA and its subsidiaries generate more than 40 billion kilowatt-hours of electricity annually, and VKR has an output of over 18 billion kilowatt-hours per year. 95% of VKR's primary energy needs are covered by hard coal from the Ruhr, making the VEBA Group the biggest user of Ruhr coal for electric power generation.

Oil and Gas: The Group's petroleum interests are consolidated in VEBA OEL, an important company which provides a combination of high-quality technical and business services dealing with all aspects of the oil industry. VEBA OEL as well as its subsidiary, MARK PRODUCING, and its affiliate, DEMINEX, have been making substantial efforts to strengthen exploration and production of petroleum and natural gas. The center of crude oil processing is RUHR OEL GmbH, which is operated jointly by VEBA OEL and the Venezuelan state oil company Petroleos de Venezuela (PdVSA). In addition, VEBA's subsidiary RAAB KARCHER and affiliate ARAL operate two extensive distribution networks.

Chemicals: All of the Group's chemical operations have been brought together within HOLS. This company is one of the leading European manufacturers of synthetics, synthetic rubber, and detergent bases. It has numerous manufacturing facilities both at home and abroad. The acquisition of NUODEX in the U.S. enabled considerable expansion of product sales through their network. Special emphasis is being placed on implementing a new approach for the PVC sector, involving concentration on special products.

Trading and Transportation: STINNES is one of the most important trading, transportation and service companies in Europe. Thanks to its extensive network, STINNES is able to supply the markets with a wide range of goods and services. RAAB KARCHER is the Group's other leading trading and service company with 39 subsidiaries (incl. 8 abroad) and outlets in 180 regions of the country. The company sells coal, VEBA heating oil and liquid gas. Moreover, it deals in construction materials, timber, chemicals and many other products.

VEBA AG, P.O. Box 30 10 41, D-4000 Düsseldorf 30.

VEREINS-UND WESTBANK today is one of the leading regional banks in Germany with its Head Office in Hamburg and a network of more than 260 branches in the States of Hamburg, Schleswig Holstein and Lower Saxony. A main branch will be opened in Frankfurt in early 1987. The bank was formed by the merger of Westbank, whose branch network gave it a strong diversified funding base, and Vereinsbank, whose strength was based upon regional corporate business and international banking with emphasis on international trade financing, foreign exchange and securities business.

As a "universal bank," Vereins-und Westbank offers a full range of commercial and investment banking services to domestic and international corporations, private individuals, governmental institutions and correspondent banks. In addition to providing all

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types of credit facilities, foreign exchange services and accepting deposits, it is also actively engaged in underwriting and trading securities of both domestic and foreign issuers, as well as providing assistance to clients seeking to raise equity or bond financing in the German market. The bank also specializes in portfolio management services, including investments in shares, bonds, deposits and precious metals. In addition, the bank holds equity participations in industrial corporations as well as in banks.

The international activities have formed a substantial part of the bank's business ever since its founding in 1856. Through its own offices abroad and its correspondents in over a hundred countries, the Vereins-und Westbank Group provides the full range of international banking services. Through its wholly-owned subsidiary, Vereins-und Westbank Internationale S.A. in Luxembourg, the bank is engaged in Euromarket lending activities, securities, foreign exchange and trading of precious metals.

Vereins-und Westbank has a State Agency in Miami, which provides a comprehensive range of Banking services including all aspects of portfolio management for private individuals. It is also active in international finance of exports from selected Latin American countries.

The bank maintains representative offices and business development centers in New York, Atlanta and Buenos Aires. These are specialized in trade finance and international finance. They provide their customers with in-depth consultation and expeditious response to their finance requirements. ☐

VOLKSWAGEN OF AMERICA, INC. was formed in October 1955 as a wholly-owned subsidiary of Volkswagen AG, Wolfsburg, West Germany. Originally established as the offical importer of Volkswagens to the United States, VWoA has also served as the official importer of Audi models since 1969.

VWoA corporate headquarters is located in Troy, Michigan. Marketing of cars imported and manufactured by VWoA is through distributing companies which serve two separate dealer networks—one authorized to sell and service VWs and the other handling Audi vehicles.

Manufacturing divisions within VWoA include an assembly plant in Westmoreland, Pennsylvania, a sheet metal stamping plant in South Charleston, West Virginia and an air conditioning and automotive component plant in Fort Worth, Texas.

Volkswagen of America also established separate financial subsidiary companies in 1981 to provide automotive financing support for its VW and Audi dealers. The subsidiaries are VW Financial Corporation, which provides required financial funding, and VW Credit, Inc., which, in agreement with Chrysler Financial Corporation, implements a program of dealer wholesale financing as well as customer retail lease financing.

Under the direction of Noel Phillips, President and Chief Executive Officer, VWoA is also responsible for developing national sales programs, preparing and distributing technical and sales literature, developing and supervising training programs for service mechanics, maintaining inventory control over replacement parts, producing and placing national advertisement, administering insurance programs and conducting many other activities to ensure the continued success of Volkswagen and Audi in the U.S. market. ☐

WACKER

Founded in 1914 by Dr. Alexander Wacker, WACKER-CHEMIE GmbH, Munich, with 1985 sales of almost DM 3.000 billion, ranks today among the 100 largest industrial companies in the Federal Republic of Germany.

Operations began with the first synthetic production of acetaldehyde, acetic acid and acetone on an industrial scale. Pursuing its production and market opportunitites, the company expanded its business during the past decades with the addition of plants and subsidiaries in Germany and abroad. Partners throughout the world were licensed. We invented polyvinyl-alcohol, the polymerisation of polyvinyl chloride in suspension, and the production of acetaldehyde through direct oxidation of ethylene.

Today Wacker-Chemie is one of the leading enterprises in the German chemical industry. The commodity plastics and polyvinyl chloride produced in large plants in the Burghausen and Cologne works in Germany, form the basis for its large scale operations. With the development of special grades, the company succeeded in securing sales at a high volume that is the prerequisite for efficient production.

Polyvinyl acetate, used for many different applications, is one of the important product groups. Copolymers and terpolymers containing ethylene are pioneering new applications in this sector.

Chlorinated solvents are part of the traditional business of Wacker-Chemie. They are used in many variations for surface treatment.

In 1948, Wacker-Chemie began to produce silicone and silanes. They are offered today in a wide variety of types and represent one of the principal pillars of the sales program. It is supplemented by highly dispersed silicic acid and by silicon carbide.

Our subsidiary Wacker-Chemitronic Gesellschaft fuer elektronik-Grundstoffe GmbH is one of the world's leading producers of pure silicon. In the product's largest market, the United States, it is produced in the Portland, Oregon plant of Wacker Siltronic Corporation.

Wacker-Chemie is now embarking on the manufacture of optical fibers for the communications indusrty.

Wacker-Chemise pays particular attention to the development of new product applications in keeping with the needs and wishes of the processing industries. □

WestLB

WESTDEUTSCHE LANDESBANK GIROZENTRALE (WestLB) was established in 1969 by the merger of Rheinische Girozentrale und Provinzialbank, Düsseldorf (est. 1854) and Landesbank für Westfalen Girozentrale, Münster (est. 1832). WestLB is a credit institution in the legal form of an institution under public law. The Bank's owners (the State of North Rhine-Westphalia and the Sparkassen (Savings Bank Organisations and Regional Associations of the Rhineland and Westphalia-Lippe) are jointly and severally liable for WestLB's obligations.

With a group business volume of more than DM 186 billion, WestLB is the third largest bank in the Federal Republic of Germany and one of the largest universal banks in the world. WestLB offers its private, commercial and public sector clients in Germany and abroad a full range of services in the credit and investment business. With an outstanding volume of WestLB-bonds amounting to over DM 60 billion, the Bank is Germany's most significant constant issuer of bank bonds.

WestLB maintains branches and subsidiaries in those financial centres best suited to servicing the needs of its clients as well as representative offices in the most important trading regions. In addition to export and import financings, the Bank offers its internationally active clients international bond and loan financings in D-mark and Eurocurrencies. Its international network enables WestLB to meet clients' needs for cover in all important currencies and to handle their international payment transactions.

WestLB is both clearing and partner bank to the 159 Sparkassen in NRW. As part of its cooperative working relationship with the Sparkassen, the Bank also handles the foreign business of their clients. In addition, WestLB acts as banker to the State of North Rhine-Westphalia and handles trustee business for the Federal Republic of Germany and NRW amounting to over DM 40 billion. The Bank supports NRW in promoting economic development and residential housing construction.

WestLB New York branch offers a broad spectrum of flexible banking services tailored to the needs of the multi-national firms already doing business in the U.S. WestLB's capability to package its financing to suit U.S. market requirements ensures its clients of direct access and immediate fulfillment of demand for both financing and investment services.

The Bank's presence abroad and its participation in internationally operating institutions make WestLB a strong partner for all engaged in international business. □

OTTO WOLFF

OTTO WOLFF, headed by the Cologne-based OTTO WOLFF AG, is an international enterprise. The Group operates in a wide field of trade and production, with steel processing and machine and industrial plant installations representing the company's strongest sectors.

One prime center of activity is the production and distribution of tinplate, cold rolled sheet and electrical sheet. Incorporating all the latest functional technology, these materials meet the diverse demands of the packaging, automotive and electrical industries.

Rolling mill products such as profile steel, reinforcing bars and other construction elements, wire mesh, screws, and plastic goods as well, round out the program and show the emphasis laid on supplies in the fields of infrastructure.

Another significant part of the Group's activities involves the construction of highly specialized and complex technical apparatus. Whether in precision machinery, machine tools or measuring instruments, drilling rigs, earth-movers or material handling systems, heavy machines or complex industrial equipment, Otto Wolff's predominance in achievement and technology is beyond question.

With a constant eye on the market, ready to adapt Group structure to change, with first rate service and distribution performance and with strong financial power, Otto Wolff is a reliable and trustworthy partner.

International marketing, based on a range of Group owned overseas subsidiaries and agencies, guarantees rapid adaptation to current market trends.

The United States market has been acquiring growing importance in Otto Wolff's international operations. Today the Group is represented by the Otto Wolff U.S. Holding Corp., Houston, Texas, as well as the Otto Wolff America Inc., Chicago. PBH Weserhutte Inc., St. Louis, and Robbins Engineers and Constructors, Totowa, N.J. subsidiaries to an Otto Wolff associate in Germany, cover special technical markets in material handling. □

ARTHUR YOUNG

ARTHUR YOUNG is an international accounting firm which specializes in providing professional assistance and counsel to those already in the United States and to those who may wish to consider an investment there. Through our 90 offices in the U.S., six offices in Germany and over 350 worldwide, we provide international accounting, auditing, tax, management consulting and other advisory services to help you maximize the likelihood of a successful U.S. venture.

Our professionals will work closely with you in such areas as: pre-investment planning . . . relations with banks and other sources of capital . . . tax planning and international tax advice . . . merger reviews . . . accounting records and systems . . . independent audits and special reviews . . . management information reports . . . and a wide range of business consulting services.

We have studied formally and extensively the experience of German investors in the U.S. as evidenced by our newly issued survey with the German American Chamber of Commerce, copies of which are available by writing Herbert A. Morey, Arthur Young, 277 Park Avenue, New York, N.Y. 10172.

Arthur Young's network of offices in the United States can be an especially valuable asset to the foreign investor concerning local business conditions, opportunitites, government regulations, and relations with businessmen, bankers, government representatives, and other professional advisors. This local perspective is demonstrated in our "by-state" series entitled, "Starting and Operating a Business in . . . ." And for the national outlook, we have an excellent guide, "Doing Business in the U.S.A." These publications can also be obtained by writing Mr. Morey at the address given above. ☐

ZEISS

CARL ZEISS, Inc. is a part of the worldwide Carl Zeiss organization headquartered in West Germany. Since its establishment as a U.S. corporation in 1925, Carl Zeiss, Inc. has constantly expanded its presence in the American market as a sales, marketing, and service organization of precision products for industry and for the medical and scientific communities. These are products which have set world standards for nearly one and one-half centuries. The Zeiss commitment to uncompromising excellence has consistently defined the state-of-the-art in such diverse areas as precision machines for industrial measuring, optical systems for industrial applications, surveying instruments, aerial cameras, light and electron microscopes, surgical microscopes, ophthalmic instruments, telescopes and planetaria. Cases in point are the recent introduction of an advanced line of research microscopes, an electron microscope which promises break-through discoveries in medicine and other areas of application, and improved instrumentation for the land surveyor.

Zeiss consumer products—high fashion eyeglass frames and sunglasses, binoculars, sporting glasses and riflescopes—are offered to the U.S. market through ophthalmic dispensers and other retail outlets by another Zeiss subsidiary, Zeiss Optical, Inc. in Petersburg, VA.

The unique capabilities of Carl Zeiss in combining optics, precision mechanics and advanced electronics have paved the way for significant industrial advances in the field of metrology, a science which dates back to man's first need for a formal method of linear measurement. The Industrial Measuring Technology Division of Carl Zeiss, Inc., markets high performance, computer-controlled coordinate measuring machines. Incorporating a unique probing system designed by Zeiss, measurements can be made in the incredible range of millionths of an inch. These machines, used as a quality control tool for cost-effective measurement of precision production parts such as turbine blades or components of an internal combustion engine, are rapidly replacing the time consuming task once required of measuring parts manually with traditional hand-held gauging instruments. Today, Carl Zeiss provides an entire industrial measuring technology product line to serve the needs of diverse major industries, such as automotive, aeronautic, computer, defense and energy. This is an example of another Zeiss achievement which advances the state of technology. ☐

ZF

ZF OF NORTH AMERICA, Inc. is the exclusive representative for ZF products in the United States and Canada. The company currently employs 100 people at its headquarters in Lincolnshire, Illinois, a suburb of Chicago. A second office is in Detroit.

The company emphasizes research and development, and has a reputation for producing quality, cost competitive products.

ZF specializes in advanced drive train and steering components for a wide variety of on- and off-highway applications, including agriculture, construction and material handling vehicles, passenger cars, trucks, rapid transit buses, and pleasure and work boats.

As a worldwide leader in driveline technology, ZF supplies many major manufacturers in the U.S. with automatic, manual and powershift transmissions, trans-axles, axles and steering systems.

In addition, a worldwide staff of factory-trained technicians is always available to provide prompt technical support, service and spare parts. ZF is committed to backing all of its products during the warranty period, as well as afterwards.

A brief history of the ZF Group

ZF of North America, Inc. is part of the ZF Group, which was founded in 1915 by Count Ferdinand von Zeppelin to produce transmissions for his famous Zeppelin airships.

Several years later ZF pioneered the first fully synchronized manual transmission.

Today, the ZF Group of companies is the leading independent manufacturer of transmissions, steering systems and axles in the world, has sales of $2 billion, employs more than 28,000 people, and operates facilities and service centers in Europe, North America, South America and the Far East.

ZF of North America, Inc.
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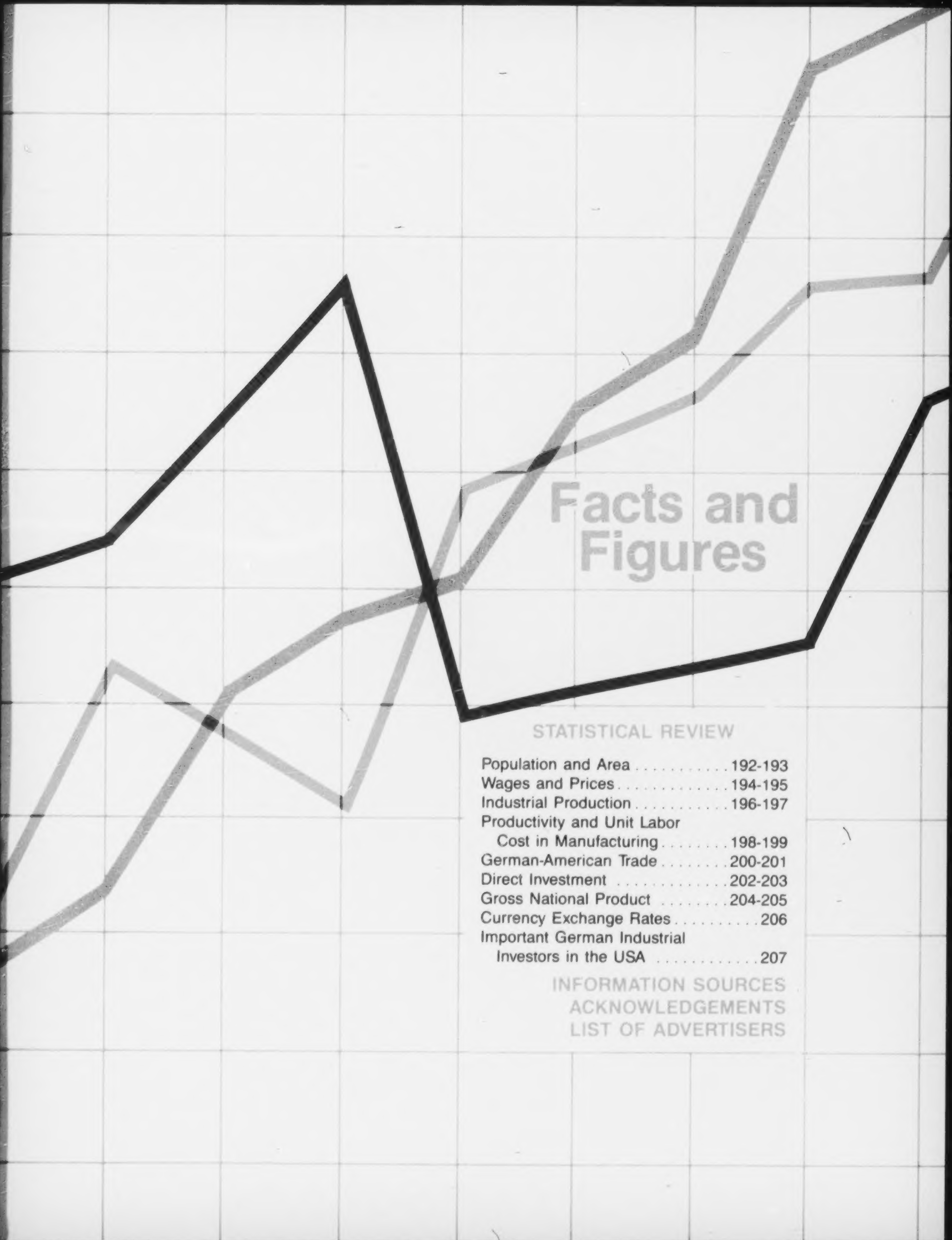

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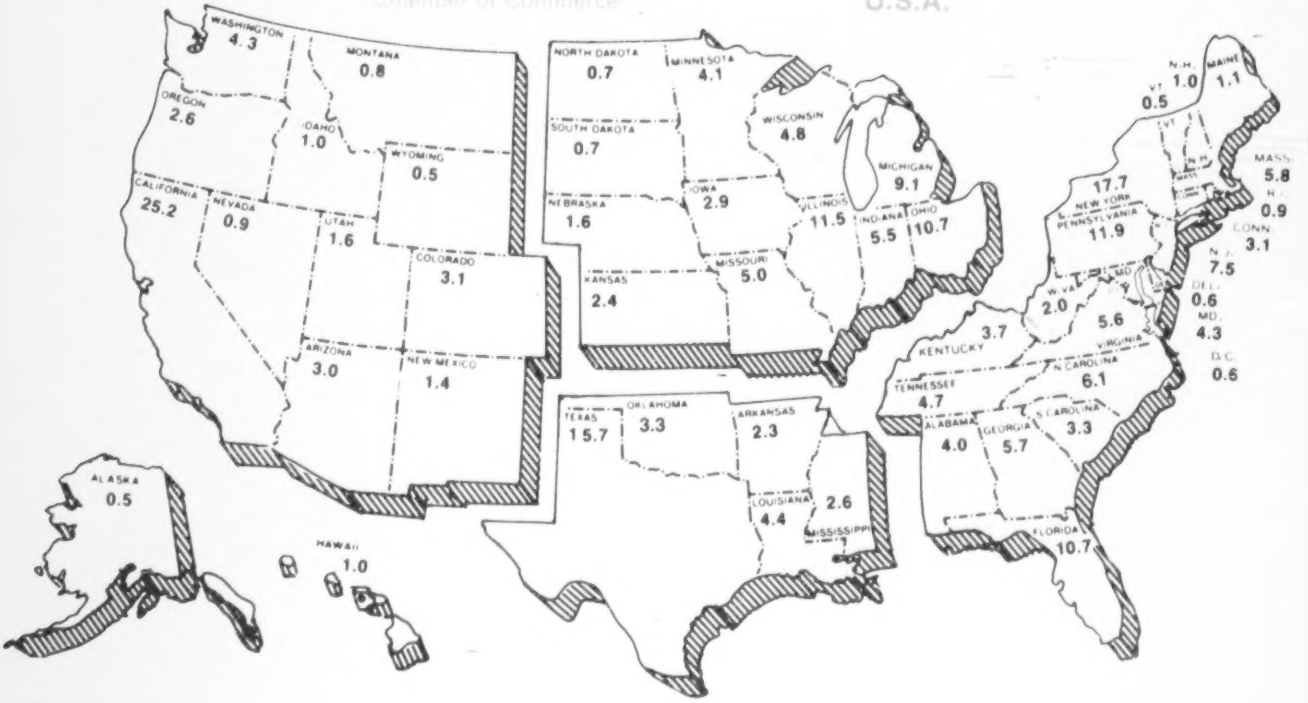
WASHINGTON 4.3
MONTANA 0.8
OREGON 2.6
IDAHO 1.0
WYOMING 0.5
CALIFORNIA 25.2
NEVADA 0.9
UTAH 1.6
COLORADO 3.1
ARIZONA 3.0
NEW MEXICO 1.4
NORTH DAKOTA 0.7
MINNESOTA 4.1
SOUTH DAKOTA 0.7
WISCONSIN 4.8
MICHIGAN 9.1
IOWA 2.9
NEBRASKA 1.6
ILLINOIS 11.5
INDIANA 5.5
OHIO 10.7
KANSAS 2.4
MISSOURI 5.0
TEXAS 15.7
OKLAHOMA 3.3
ARKANSAS 2.3
LOUISIANA 4.4
MISSISSIPPI 2.6
KENTUCKY 3.7
TENNESSEE 4.7
ALABAMA 4.0
GEORGIA 5.7
S CAROLINA 3.3
N CAROLINA 6.1
VIRGINIA 5.6
W. VA 2.0
MD
FLORIDA 10.7
NEW YORK 17.7
PENNSYLVANIA 11.9
VT 0.5
N.H. 1.0
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VT
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MASS. 5.8
R.I. 0.9
CONN. 3.1
N.J. 7.5
DEL. 0.6
MD. 4.3
D.C. 0.6
ALASKA 0.5
HAWAII 1.0

DEVELOPMENT OF POPULATION

Population Break	1960	1970	1975	1980	1982	1983	1984	1985
Area (in 1000 sq. miles)	3,618.7	3,618.7	3,618.7	3,618.7	3,618.7	3,618.7	3,618.7	3,618.7
Population (in mil.)	180.0	204.0	215.5	227.2*	231.8	234.0	236.1	238.7
—male	88.3	98.9	104.2	110.0	112.6	113.7	114.8	116.2
—female	90.9	104.3	109.3	116.5	119.1	120.3	121.3	122.6
Households (in mil.)	52.8	63.4	71.1	80.0	83.5	83.9	85.4	86.8

Source: U.S. Department of Commerce

**Based on new benchmark levels. Not comparable with previously published data.*

Labor Market (in 1000)

Period	Civilian Labor Force	Employed	Unemployed	%
1960	69,628	65,778	3,852	5.5
1970	82,715	78,627	4,088	4.9
1980	104,719	97,270	7,448	7.1
1982	110,204	99,526	10,678	9.7
1983	111,551	100,834	10,717	9.6
1984	113,877	105,748	8,130	7.1
1985	115,461	107,150	8,312	7.2
Aug. 1986	118,182	110,155	8,027	6.8

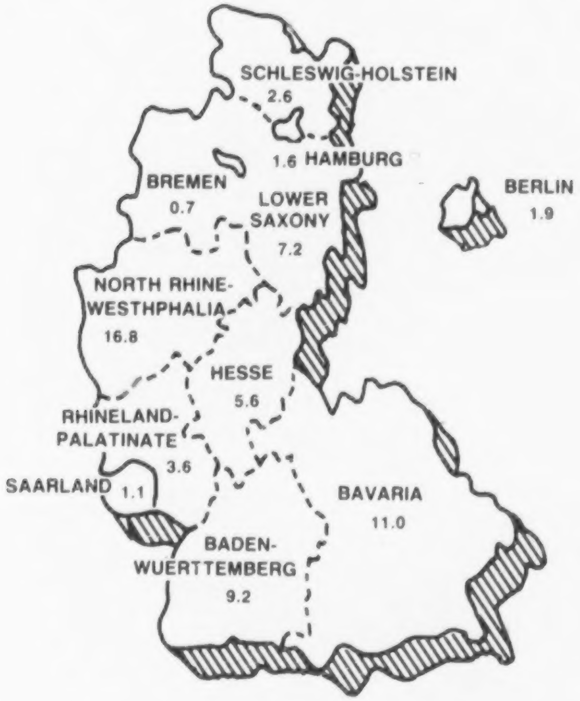
Source: U.S. Bureau of Labor Statistics, Employment and Earnings

Unemployment by Duration (in %)

	LESS THAN 5 WEEKS	5-14 WEEKS	15-26 WEEKS	27 WEEKS AND OVER
1980	43.1	32.3	13.8	10.7
1981	41.7	30.7	13.6	14.0
1982	36.4	31.0	16.0	16.6
1983	33.3	27.4	15.4	23.9
1984	39.2	28.7	12.9	19.1
1985	42.1	30.2	12.3	15.4
Aug. 1986	42.3	29.4	13.4	14.9

Source: U.S. Council of Economic Advisers

GERMANY


SCHLESWIG-HOLSTEIN
2.6
1.6 HAMBURG
BERLIN
1.9
BREMEN
0.7
LOWER SAXONY
7.2
NORTH RHINE-WESTHPHALIA
16.8
HESSE
5.6
RHINELAND-PALATINATE
3.6
SAARLAND
1.1
BAVARIA
11.0
BADEN-WUERTTEMBERG
9.2

DEVELOPMENT OF POPULATION

Population Break

	1960	1970	1975	1980	1982	1983	1984	1985
Area (in 1000 sq. miles)	96.0	96.0	96.0	96.0	96.0	96.0	96.0	96.0
Population (in mil.)	55.4	60.7	61.8	61.7	61.6	61.3	61.1	61.0
—male	26.0	28.9	29.4	29.5	29.5	29.3	29.2	29.1
—female	29.4	31.8	32.3	32.2	31.1	32.0	31.9	31.8
Households (in mil.)	19.3	22.0	23.7	24.8	25.3	25.3	25.3	25.3

Source: Statistisches Bundesamt, Germany

Labor Market (in 1000)

Period	Civilian Labor Force	Employed	Unemployed	%
1960	26,518	26,247	271	1.3
1970	26,817	26,668	149	0.7
1980	26,684	25,795	889	3.8
1982	27,393	25,560	1,833	7.5
1983	27,589	25,331	2,258	9.1
1984	27,618	25,352	2,266	9.1
1985	27,835	25,531	2,304	9.3
1. Halbjahr 1986	27,955	25,589	2,366	—

Source: Statistisches Bundesamt, Germany; Bundesminister der Wirtschaft, Germany

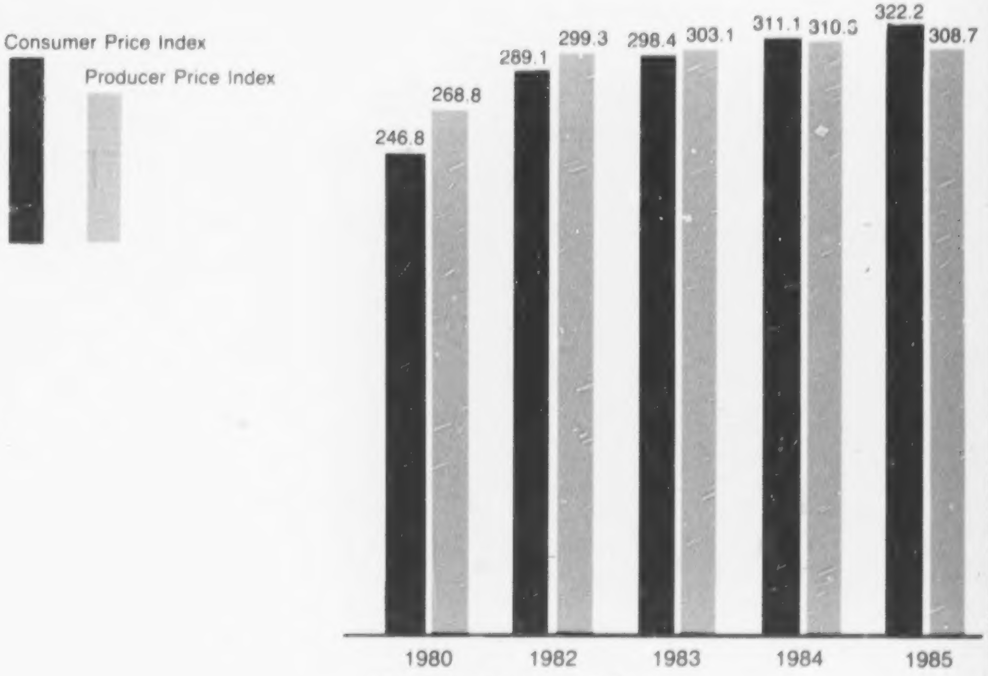
Unemployment by Duration (in %)

	LESS THAN 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	1-2 YEARS	2 YEARS AND OVER
1980	21.2	28.2	18.6	17.6	9.8	5.8
1981	18.3	28.8	19.5	20.5	9.1	3.9
1982	14.9	24.6	18.3	24.2	13.5	4.4
1983	11.5	22.1	17.0	24.5	17.7	7.2
1984	11.6	21.7	16.2	21.7	17.3	11.5
1985	12.3	20.2	15.8	20.7	16.9	14.1

Source: Bundesanstalt fuer Arbeit

PRICES AND WAGES

Wages and inflation (1967 = 100)



Source: U.S. Department of Labor

CONSUMER PRICE INDEX

Period		1967 = 100	Change from previous year %
1960	average	88.7	+ 1.6
1970	"	116.3	+ 5.9
1978	"	195.4	+ 7.7
1979	"	217.4	+11.3
1980	"	246.8	+13.5
1981	"	272.4	+10.4
1982	"	289.1	+ 6.1
1983	"	298.4	+ 3.2
1984	"	311.1	+ 4.3
1985	"	322.2	+ 3.6
June 1986	"	327.9	+ 1.8

Source: U.S. Department of Labor

PRODUCER PRICE INDEX

Period		1967 = 100	Change from previous year %
1960	average	94.9	+ 0.1
1970	"	110.4	+ 3.7
1978	"	209.3	+ 7.8
1979	"	235.6	+12.6
1980	"	268.8	+13.8
1981	"	293.4	+ 9.2
1982	"	299.3	+ 2.0
1983	"	303.1	+ 1.3
1984	"	310.3	+ 2.4
1985	"	308.7	− 0.5
July 1986	"	297.7	− 3.6

Source: U.S. Department of Labor

U.S.A. Gross Hourly Earnings (in $)
– average –
Manufacturing Industry

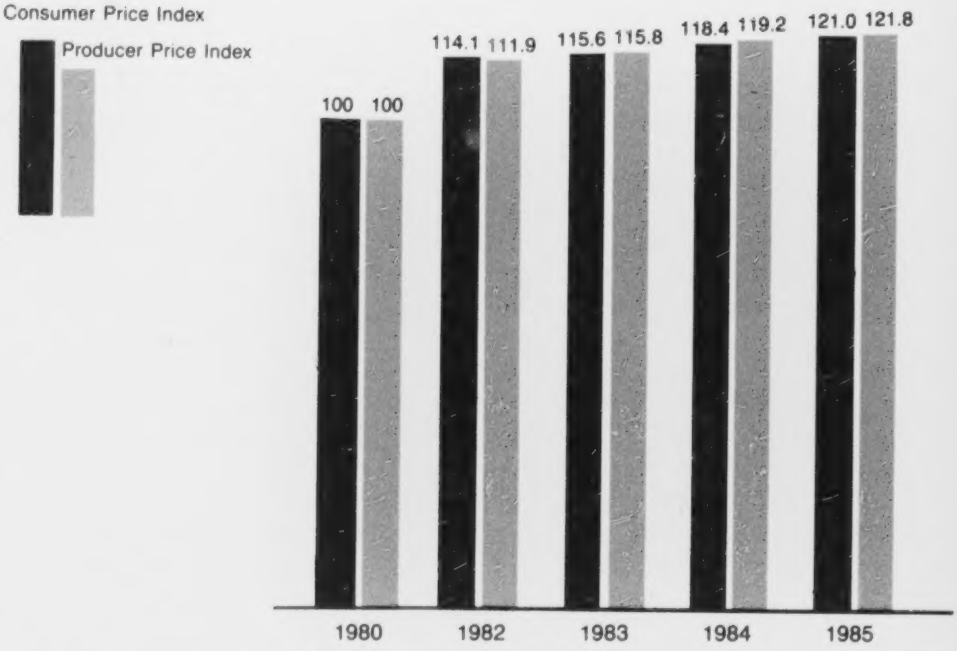
1982	8.49
1983	8.83
1984	9.19
1985	9.53
June 1986	9.70

Source: U.S. Department of Commerce

GERMANY

PRICES AND WAGES

Wages and inflation (1980 = 100)



Source: Statistisches Bundesamt, Germany
Deutsche Bundesbank, Germany

CONSUMER PRICE INDEX

Period			1980 = 100	Change from previous year %
1974		average	78.7	+13.4
1975		"	82.3	+ 4.6
1976		"	85.4	+ 3.8
1977		"	87.7	+ 2.7
1978		"	88.7	+ 1.1
1979		"	93.0	+ 4.8
1980		"	100	+ 7.5
1981		"	107.8	+ 7.8
1982		"	114.1	+ 5.8
1983		"	115.6	+ 3.3
1984		"	118.4	+ 2.4
1985		"	121.0	+ 2.2
1986	Jan	"	121.6	+ 1.3
	Feb.	"	121.3	+ 0.7
	March	"	121.0	+ 0.1
	April	"	120.9	− 0.2
	May	"	120.9	− 0.2
	June	"	121.1	− 0.2
	July	"	120.5	− 0.5

Source: Statistisches Bundesamt, Germany

PRODUCER PRICE INDEX

Period			1980 = 100	Change from previous year %
1974		average	77.4	+ 6.9
1975		"	82.0	+ 5.9
1976		"	85.6	+ 4.4
1977		"	88.7	+ 3.6
1978		"	91.1	+ 2.7
1979		"	94.9	+ 4.2
1980		"	100	+ 5.4
1981		"	106.3	+ 6.3
1982		"	111.9	+ 5.3
1983		"	115.8	+ 1.5
1984		"	119.2	+ 2.9
1985		"	121.8	+ 2.3
1986	Jan.	"	121.2	0.0
	Feb.	"	120.6	− 0.8
	March	"	120.1	− 1.4
	April	"	119.4	− 2.1
	May	"	118.6	− 2.9
	June	"	118.5	− 2.9

Source: Statistisches Bundesamt, Germany

Germany Gross Hourly Earnings
(in DM)

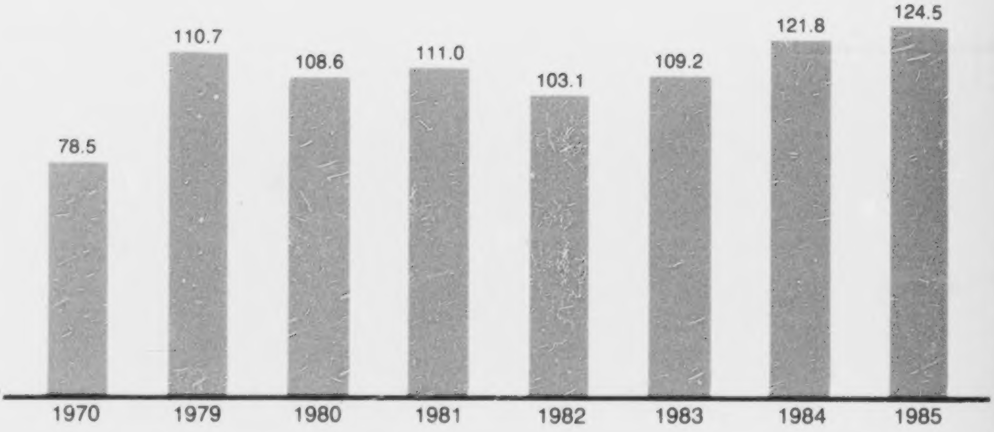
	–average– Manufacturing Industry
1982	14.66
1983	15.15
1984	15.50
1985	16.19
April 1986	16.51

Source: Statistisches Bundesamt, Germany

U.S.A.

INDUSTRIAL PRODUCTION

Index of Industrial Production
1977 = 100



Source: U.S. Department of Commerce

Percentage change
from preceding year and quarter

1979	3.9
1980	-1.9
1981	2.2
1982	-7.1
1983	5.9
1984	11.5
1985	2.2
1986 May	-0.8

Source: U.S. Department of Commerce

U.S.A.
Capacity Utilization Rate
(Percent; Industry)

1970	79.2
1975	79.2
1980	79.2
1981	78.3
1982	70.3
1983	74.0
1984	80.8
1985	80.3
July 1986	78.5

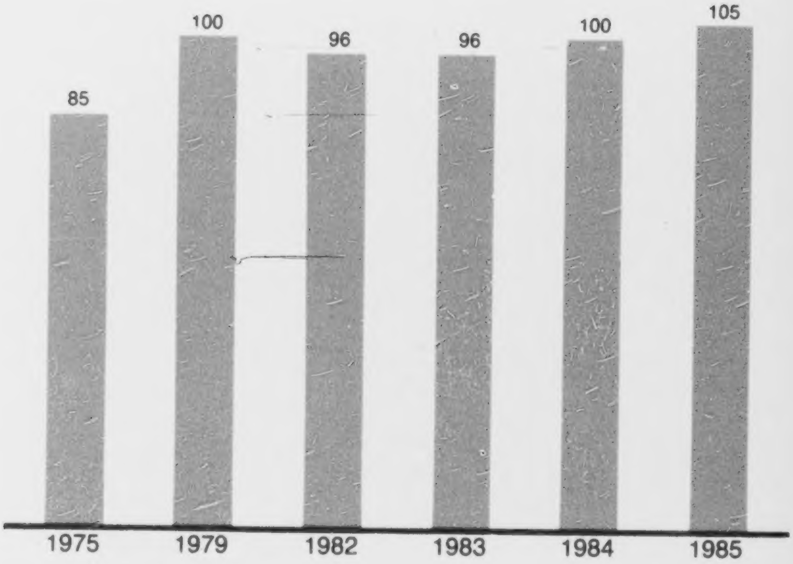
Source: U.S. Department of Commerce

GERMANY

INDUSTRIAL PRODUCTION

Index of Industrial Production

Index: 1980 = 100



Source: Organization for Economic Cooperation and Development (OECD)

Percentage change from preceding year and quarter

1975	-
1979	-
1981	-1.5
1982	-2.9
1983	0.7
1984	3.4
1985	5.4

Source: Organization for Economic Cooperation and Development (OECD)

GERMANY
Capacity Utilization Rate
(Percent; Industry)

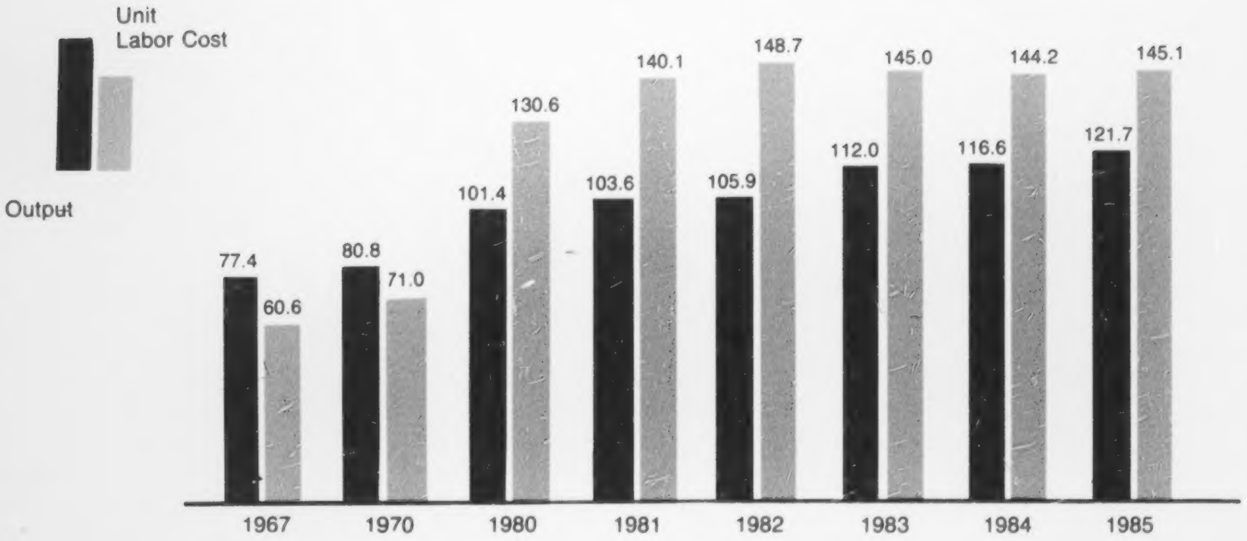
1970	97.1
1975	82.6
1980	92.1
1981	89.4
1982	86.6
1983	86.4
1984	88.3
1985	88.7

Source: Statistisches Bundesamt, Germany

U.S.A.

PRODUCTIVITY AND UNIT LABOR COST IN MANUFACTURING

Output and Unit Labor Cost per Hour
Index: 1977 = 100
(on $ basis)



Source: U.S. Department of Labor

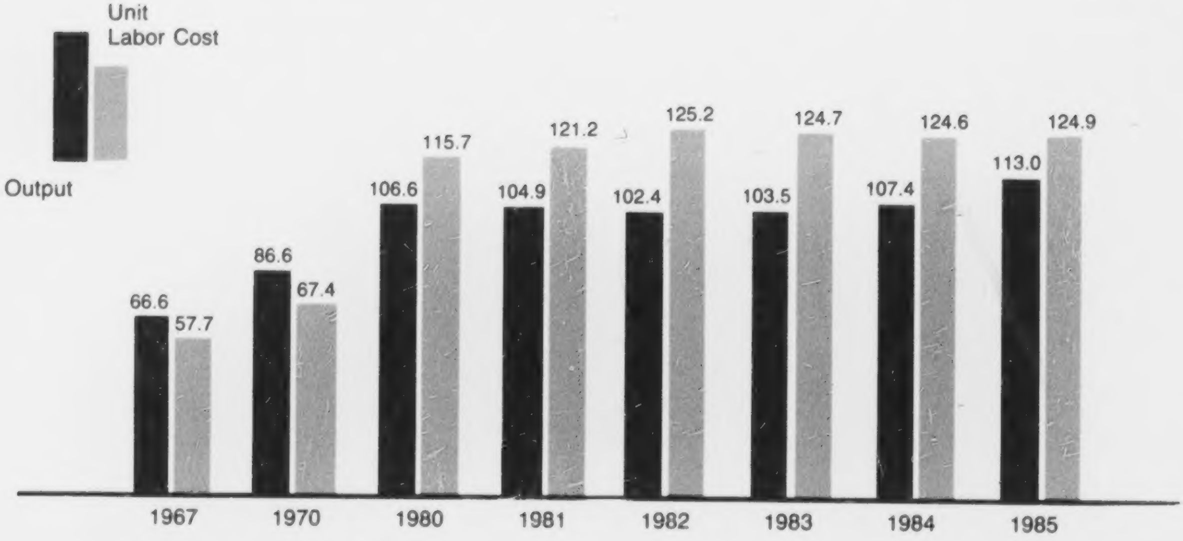
Period	Unit Labor Cost in $	Output per Man-Hour	Hourly Compensation
1967	60.6	77.4	47.0
1970	71.0	80.8	57.6
1979	117.0	101.4	118.8
1980	130.6	101.4	132.7
1981	140.1	103.6	145.8
1982	148.7	105.9	158.0
1983	145.0	112.0	163.4
1984	144.2	116.6	169.1
1985	145.1	121.7	176.7
1986 I	146.1	123.4	180.2
1986 II	146.2	124.0	181.4

Source: U.S. Department of Labor

GERMANY

PRODUCTIVITY AND UNIT LABOR COST IN MANUFACTURING

Output and Unit Labor Cost per Hour
Index: 1977 = 100
(on DM basis)



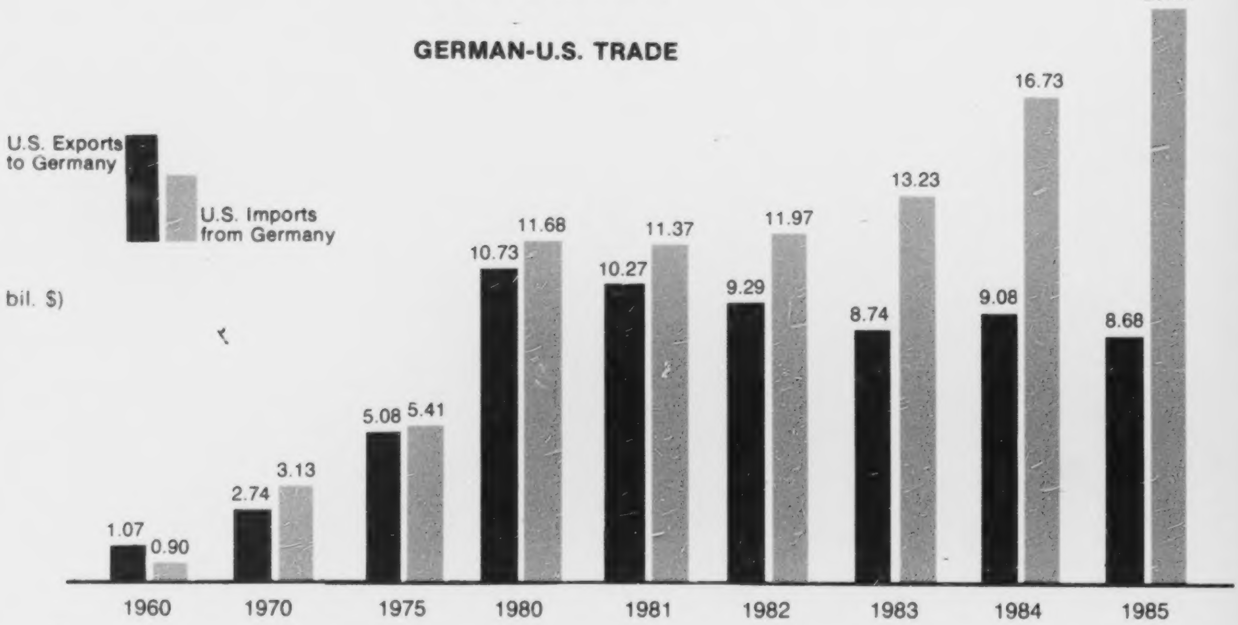
Source: U.S. Department of Labor

Period	Unit Labor Cost in $	Output per Man-Hour	Hourly Compensation
1967	57.7	66.6	34.7
1970	67.4	86.6	48.0
1978	104.5	101.8	107.8
1979	107.3	106.6	116.1
1980	115.7	106.6	125.6
1981	121.2	104.9	134.5
1982	125.2	102.4	141.0
1983	124.7	103.5	148.4
1984	124.6	107.4	155.3
1985	124.9	113.0	164.7

Source: U.S. Department of Labor

GERMAN-U.S. TRADE

Grand Total (in bil. $)



Major Items of U.S.–German Trade (in mil.$)

U.S. Exports to Germany				U.S. Imports from Germany		
1980	1984	1985		1980	1984	1985
951.1	466.9	378.6	Food and live animals	168.8	259.4	321.8
31.2	5.9	7.8	Meat and prep.	2.5	3.3	8.1
6.4	1.6	2.0	Dairy products and eggs	16.0	32.0	23.5
19.8	10.4	8.0	Fish and prep.	1.5	2.5	3.4
223.8	19.5	20.4	Cereals and prep.	6.7	12.2	17.1
291.3	137.5	152.8	Fruits and vegetables	34.3	63.8	91.7
361.6	272.5	166.0	Animal feeding-stuffs	6.6	6.6	7.5
3.1	5.3	1.6	Coffee, cocoa, spices and prep.	69.3	95.3	109.1
246.0	220.0	261.4	Beverages and tobacco	145.5	226.2	241.5
—	—	—	Beer	43.4	—	—
2.0	0.6	—	Wine	97.3	105.4	—
9.7	8.1	9.3	Alcoholic beverages, distilled	—	222.1	232.9
234.1	42.1	251.1	Tobacco, raw and manufactured	2.1	2.2	5.1
1,500.3	944.3	824.2	Crude materials, inedible, exc. fuel	130.1	131.3	119.2
102.9	11.8	38.5	Hides, skins and furskins undressed	3.4	2.9	3.4
398.5	197.4	—	Soybeans	—	—	—
66.9	50.1	49.8	Rubber, incl. synthetic and reclaimed	3.3	22.2	18.6
134.6	78.2	58.9	Wood, lumber and cork	0.5	1.4	2.1
202.9	218.1	193.6	Pulps and waste paper	—	0.7	0.5
101.6	76.5	92.8	Raw textile fibers and their waste	11.7	26.1	22.1
84.7	15.9	45.0	Crude fertilizers and minerals	8.6	19.4	9.2
330.3	101.6	110.1	Metalliferous ores and metal scrap	88.5	35.0	33.4
112.3	91.1	70.2	Nonferrous metal scrap	64.9	15.0	16.8
18.4	22.4	21.5	Vegetable materials, crude	1.8	4.4	14.0
216.4	90.0	98.3	Mineral fuels and lubricants	26.3	69.7	96.9
136.5	50.3	54.7	Coal, coke, briquettes, lignite, peat	4.4	—	0.01
79.7	39.7	41.6	Petroleum and petroleum products	21.9	69.6	96.8

Source: U.S. Department of Commerce

Continued

Major Items of U.S. – German Trade (in mil.$) (continued)

U.S. Exports to Germany				U.S. Imports from Germany		
1980	1984	1985		1980	1984	1985
35.8	20.0	12.5	Oils and fats, animal and vegetable	2.5	3.4	3.8
850.8	1,057.6	1,047.8	Chemicals	1,019.2	1,575.5	1,496.5
396.8	582.9	520.5	Organic and inorganic chemicals	512.0	856.9	739.5
25.9	11.5	22.3	Essent. oils, perfume materials, soaps	27.6	64.2	68.1
23.4	18.3	18.3	Dyeing, tanning and coloring materials	97.2	168.9	168.8
133.1	423.2	215.2	Medicinal and pharmaceutical products	92.1	124.0	135.9
142.9	129.7	155.9	Synthetic resins and plastic materials	149.4	203.1	206.3
990.9	492.4	457.9	Manufactured goods by chief material	1,493.0	2,615.1	2,572.4
24.6	7.3	19.3	Leather	18.4	36.5	34.9
9.8	9.0	9.5	Tires and tubes for tires	82.9	82.2	79.5
127.8	72.5	73.4	Textile yarn and fabrics	90.7	186.7	221.4
77.1	–	40.3	Wood and cork	6.8	17.2	23.2
142.9	79.1	28.7	Paper and paperboard	21.0	169.3	160.8
47.2	29.5	28.8	Iron and steel	557.1	1,034.0	952.1
295.7	91.1	47.1	Nonferrous metals	202.4	411.6	326.2
180.7	121.4	142.5	Metal manufactures	284.1	371.6	412.1
49.0	68.0	28.1	Glass, Glassware, Pottery	151.3	190.8	209.1
3,916.4	4,073.5	4,399.1	Machinery and transport equipment:	7,562.9	10,342.8	13,115.0
987.0	745.7	144.7	Electrical machines and apparatus	644.7	894.8	300.3
782.0	795.5	802.8	Transport equipment	3,961.6	259.7	170.0
74.2	57.0	65.7	–Metalworking machinery	334.2	338.8	419.9
1,083.4	697.4	1,399.5	–Office machines	195.1	357.7	124.5
50.7	42.4	20.6	–Agricultural machines	199.4	163.1	58.1
42.0	30.8	28.1	–Textile and leather machinery	249.2	252.5	287.2
291.5	155.6	211.6	–Other machs. for spec. industries	679.1	–	539.3
212.8	205.6	158.8	–Telecommunications apparatus	84.4	105.7	71.0
97.2	–	139.0	–El. medical and radiolog. apparatus	113.9	266.8	359.4
230.3	254.5	282.9	–Road motor vehicles and parts	3,889.0	5,376.0	7,363.8
533.0	539.0	794.6	–Aircraft and spacecraft and parts	48.8	194.5	109.2
1,631.0	881.3	886.0	Miscellaneous manufactured articles:	890.6	1,411.8	1,693.3
72.0	28.7	8.0	Clothing and accessories	22.9	8.5	10.1
4.5	–	2.6	Footwear	16.2	19.4	21.8
482.6	455.4	488.7	Prof., scientific and controlling instruments	277.4	388.0	467.3
210.6	38.5	131.0	Photo equipment, photographic supplies	52.7	229.8	76.7
3.4	2.6	1.8	Watches and clocks	52.0	55.4	71.0
68.1	60.3	66.7	Musical instruments, parts, accessories	38.5	–	10.1
26.0	25.7	28.8	Printed matter	36.9	58.6	70.7
52.3	50.1	52.3	Rubber and plastic manufactures	116.1	177.1	208.3
116.1	–	34.3	Toys, sporting goods, baby carriages	38.6	56.3	74.0
526.6	303.0	289.3	Artworks, collectors pieces, antiques, jewelry	83.8	129.7	115.3
256.5	228.0	194.4	Items not classified by kind	242.3	360.4	578.8

Source: U.S. Department of Commerce

U.S.A.

DIRECT INVESTMENT

U.S. Direct Investment Abroad (in mil. $)
(annual rates)

By Country	1970	1975	1980	1981	1982	1983	1984	1985
United Kingdom	8,016	13,927	28,460	30,316	29,914	30,851	28,635	33,963
Japan	1,482	3,339	6,225	6,762	6,928	8,059	7,920	9,095
Germany	4,313	8,726	15,415	15,841	15,860	16,008	14,794	16,746
Canada	21,015	31,038	45,119	47,073	46,183	47,553	46,830	46,435
Italy	1,464	2,679	5,397	5,275	4,642	4,790	4,592	5,644
France	2,643	5,743	9,347	9,132	7,807	6,900	6,224	7,835
Switzerland	2,631	5,152	11,280	12,499	13,336	15,065	14,865	16,230

Source: U.S. Department of Commerce/U.S. Bureau of Economic

Foreign Direct Investment in the U.S.A. (in mil. $)
(annual rates)

By Country	1970	1978	1980	1981	1982	1983	1984	1985
United Kingdom	4,127	7,638	14,105	18,471	28,447	32,152	38,387	43,766
Germany	680	3,654	7,596	9,459	9,850	10,845	12,330	14,417
Japan	229	2,749	4,723	7,688	9,679	11,336	16,044	19,116
Canada	3,117	6.180	12,162	11,870	11,708	11,434	15,286	16,678

Source: U.S. Department of Commerce/U.S. Bureau of Economic

DIRECT INVESTMENT

German Direct Investment Abroad (in mil. DM)
(annual rates)

By country	1977	1979	1980	1981	1982	1983	1984	1985
United States	1,338.8	3,692.6	3,380.1	3,402.8	3,274.5	2,748.8	3,257.5	7,665.4
Belgium/Luxemburg	478.4	498.9	1,028.1	1,020.5	749.4	621.7	474.7	562.3
France	413.4	721.9	453.7	621.6	304.4	383.2	494.1	494.5
Brazil	587.8	532.9	362.7	731.0	603.2	528.6	130.2	- 69.2
Switzerland	181.6	136.8	542.9	367.0	307.4	614.1	211.7	38.8
Canada	371.0	407.5	421.5	479.0	382.3	-14.2	208.0	36.2
United Kingdom	150.6	85.7	171.0	295.0	1,050.9	1,058.0	1,091.1	2,615.6
Spain	71.9	188.1	228.2	91.0	304.4	448.4	533.2	52.2
Netherlands	222.1	550.6	254.8	60.7	556.1	-836.2	579.5	- 33.7
Italy	75.6	150.7	212.8	164.4	269.3	162.1	207.9	1,221.7
By industry	**1977**	**1979**	**1980**	**1981**	**1982**	**1983**	**1984**	**1985**
Chemicals, medical, pharmac. products	663.4	625.6	835.7	1,546.2	755.6	1,117.9	925.4	4,149.1
Finance	594.6	678.0	968.2	1,884,7	905.3	1,730.6	1,321.8	2,814.8
Electrical engineering	670.5	855.6	605.0	477.6	939.2	648.7	757.8	876.4
Motor vehicles	438.6	510.2	897.9	1,339.1	1,004.6	1,368.6	1,182.8	1,340.6
Mechanical engineering	272.8	546.4	807.8	556.6	850.7	1,048.6	416.5	370.7
Iron & Steel	301.3	864.2	224.0	-8.9	663.9	-671.6	260.0	67.1
Petroleum	344.6	261.9	301.9	544.2	786.3	400.8	425.0	43.6
Insurance	206.8	959.6	233.7	156.2	671.0	247.9	276.8	2,052.2
Real estate	100.3	219.8	151.1	235.7	141.7	65.1	267.9	42.2

Source: Deutsche Bundesbank, Germany

Foreign Direct Investment in Germany (in mil. DM)
(annual rates)

By country	1977	1979	1980	1981	1982	1983	1984	1985
United States	1,155.9	216.4	172.2	405.5	1,220.9	1,236.2	-132.1	572.1
Switzerland	700.8	256.8	88.5	670.2	489.8	901.8	285.9	536.9
United Kingdom	361.9	363.0	908.8	848.4	663.9	223.3	1,591.4	618.8
Netherlands	467.8	358.2	574.0	725.7	306.7	-753.9	86.0	773.1
France	305.6	86.9	175.1	281.3	429.7	352.7	359.0	93.4
Belgium/Luxemburg	245.1	225.7	36.1	214.0	200.9	124.3	-24.6	-18.0
Japan	135.0	89.2	155.3	206.2	262.0	263.4	351.8	588.4
Sweden	34.3	53.9	104.7	87.2	1.9	272.0	1.5	7.6
Italy	66.5	46.2	32.0	43.0	15.1	-46.4	435.4	160.8
Austria	20.1	18.0	30.0	59.0	63.9	129.9	167.6	14.6
By industry	**1977**	**1979**	**1980**	**1981**	**1982**	**1983**	**1984**	**1985**
Holding companies	278.7	300.1	15.2	450.6	1,541.5	416.2	445.8	1,380.0
Petroleum	374.5	-258.5	298.4	228.6	373.6	-139.5	377.5	48.9
Finance	1,103.1	321.9	603.0	712.4	535.9	178.1	1,407.2	1,346.6
Chemicals	157.5	345.0	950.9	476.0	-118.0	434.1	82.2	-296.2
Electrical engineering	332.4	469.9	31.1	469.7	290.0	452.9	39.1	189.4
Mechanical engineering	323.8	77.0	213.6	422.4	456.8	408.8	338.2	59.6
Motor vehicles	144.4	-101.9	26.3	361.3	72.2	501.8	271.0	139.0
Food	-80.4	259.1	-222.4	-101.7	6.9	207.3	93.3	9.1
Nonferrous metals	39.7	5.3	80.2	173.0	6.5	583.6	79.8	61.3
Iron & Steel	103.8	139.4	-29.3	112.4	-275.8	-1,188.7	-126.5	-39.2

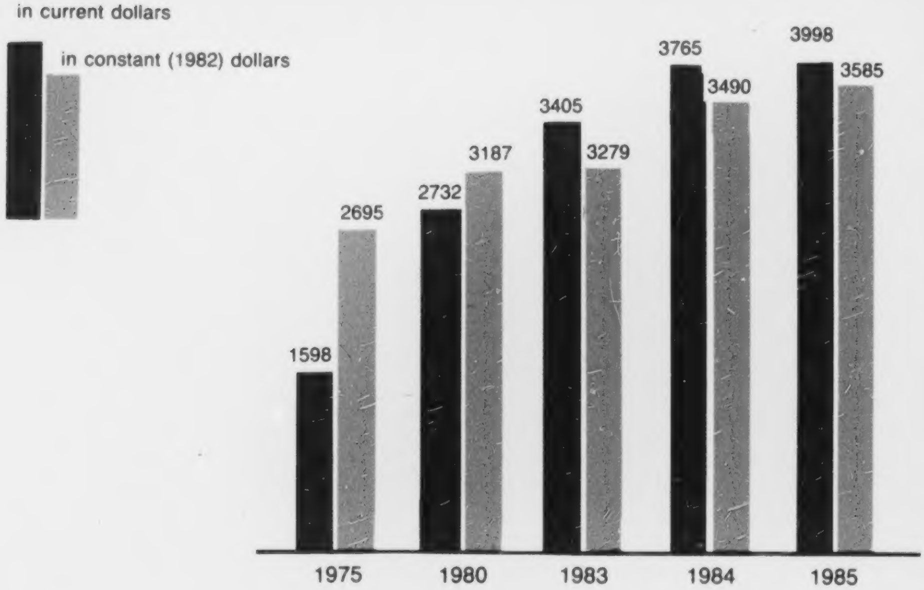
Source: Deutsche Bundesbank, Germany
Bundesministerium für Wirtschaft

U.S.A.

GROSS NATIONAL PRODUCT

(in bil. $)

GNP Total



Source: U.S. Department of Commerce

GNP by Type of Expenditure
(at current prices)

Period	Gross National Product	% chg. from yr. earlier	Personal Consumption	Government Consumption	Gross Private Domestic Investment	Net Exports of Goods and Services
1972	1,212.8	10.0	757.6	250.0	202.0	3.2
1973	1,359.3	12.1	837.2	266.5	238.8	16.8
1974	1,472.8	8.3	916.5	299.1	240.8	16.3
1975	1,598.4	8.5	1,012.8	335.0	219.6	31.1
1976	1,782.8	11.5	1,129.3	355.9	277.7	18.8
1977	1,990.5	11.7	1,257.3	387.3	344.1	1.9
1978	2,249.7	13.0	1,403.5	425.2	416.8	4.1
1979	2,508.2	11.5	1,566.8	467.8	454.8	18.8
1980	2,732.0	8.9	1,732.6	530.3	437.0	32.1
1981	3,052.6	11.7	1,915.1	588.1	515.5	33.9
1982	3,166.0	3.7	2,050.1	641.7	447.3	26.3
1983	3,405.7	7.6	2,234.5	675.0	502.3	-6.1
1984	3,765.0	10.5	2,428.2	733.4	662.1	-58.7
1985	3,998.1	6.2	2,600.5	815.4	611.1	-78.9
1986 I	4,149.2	3.8	2,697.9	836.7	708.3	-93.7
1986 II	4,179.8	4.5	2,735.3	860.0	684.7	-100.2

Source: U.S. Department of Commerce

GNP by Type of Expenditure
(at constant 1972 prices)

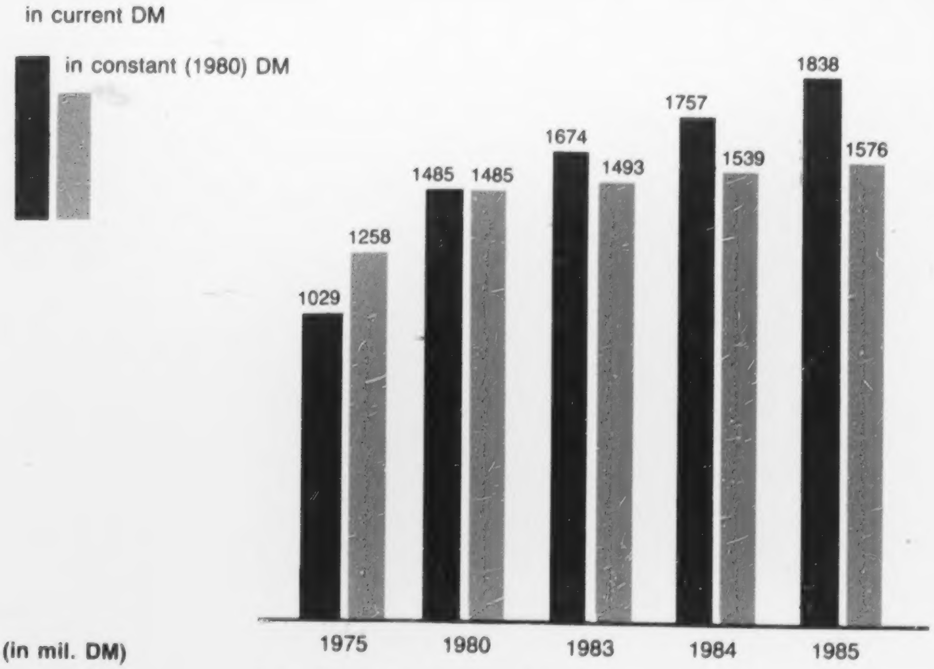
Period	Gross National Product	% chg. from yr. earlier	Personal Consumption	Government Consumption	Gross private domestic investment: Nonresidential fixed	Gross private domestic investment: Residential fixed	Gross private domestic investment: Change in business inventories	Net Exports of Goods and Services
1972	2,608.5	5.0	1,621.9	570.7	277.0	166.6	21.8	-49.5
1973	2,774.1	5.2	1,689.6	565.3	317.3	163.4	40.0	-31.5
1974	2,729.3	-.5	1,674.0	573.2	317.8	130.2	33.3	0.8
1975	2,695.0	-1.3	1,711.9	580.9	281.2	114.9	-12.8	18.9
1976	2,826.7	4.9	1,803.9	580.3	290.9	140.8	22.1	-11.0
1977	2,958.6	4.7	1,883.8	589.1	324.0	168.1	29.1	-35.5
1978	3,115.2	5.3	1,961.0	604.4	362.1	178.0	36.8	-26.8
1979	3,192.4	2.5	2,004.4	609.1	389.4	170.8	15.0	3.6
1980	3,187.1	-.2	2,000.4	620.5	379.2	137.0	-6.9	57.0
1981	3,248.8	1.9	2,024.2	629.7	395.2	126.5	23.9	49.4
1982	3,166.0	-2.5	2,050.7	641.7	366.7	105.1	-24.5	26.3
1983	3,279.1	3.6	2,146.0	649.0	361.2	149.3	-6.4	-19.9
1984	3,489.9	6.4	2,246.3	675.2	422.2	170.6	59.2	-83.6
1985	3,585.2	2.7	2,324.5	721.2	461.4	177.2	9.0	-108.2
1986 I	3,655.9	2.0	2,372.7	725.2	457.8	186.3	39.9	-125.9
1986 II	3,661.5	2.1	2,410.4	742.4	455.2	192.3	11.6	-150.5

Source: U.S. Department of Commerce

GERMANY

GROSS NATIONAL PRODUCT
(in mil. DM)

GNP Total



Source: Statistisches Bundesamt, Germany

GNP by Type of Expenditure **(in mil. DM)**
(at current prices)

Period	Gross National Product	% chg. from yr. earlier	Personal Consumption	Government Consumption	Investment	Net Exports of Goods and Services
1960	303.0	11.7	171.8	40.5	73.6	60.7
1970	675.7	13.0	368.9	106.5	172.1	152.9
1973	918.9	11.4	495.4	163.2	219.3	217.1
1974	985.6	7.3	533.7	190.2	212.7	279.0
1975	1,029.4	4.4	585.3	210.0	209.4	271.2
1976	1,126.2	9.4	632.5	221.7	225.7	309.0
1977	1,199.2	6.5	683.2	235.0	242.4	325.8
1978	1,291.6	7.7	728.9	252.9	266.0	344.7
1979	1,396.6	8.1	785.0	273.3	303.4	377.4
1980	1,485.2	6.3	840.8	297.8	335.8	422.3
1981	1,545.1	4.0	887.9	318.2	335.2	482.1
1982	1,597.1	3.4	918.1	326.2	326.9	517.5
1983	1,674.1	4.8	958.5	336.5	344.1	526.4
1984	1,756.9	4.9	990.3	350.5	354.6	588.3
1985	1,837.9	4.6	1,027.3	365.7	359.3	647.4
1986 I	450.3	4.7	250.1	86.8	–	155.5

Source: Statistisches Bundesamt, Germany

GNP by Type of Expenditure **(in mil. DM)**
(at constant 1980 prices)

Period	Gross National Product	% chg. from yr. earlier	Personal Consumption	Government Consumption	Investment	Net Exports of Goods and Services
1960	731.7	–	370.6	137.5	189.9	120.9
1970	1,134.0	5.0	606.8	211.9	291.9	248.4
1973	1,274.1	4.7	687.0	243.7	316.8	310.6
1974	1,276.5	0.2	691.5	253.4	286.4	348.0
1975	1,258.0	-1.4	713.9	262.8	271.3	324.6
1976	1,328.2	5.6	740.4	266.8	281.0	356.7
1977	1,363.4	2.7	771.8	270.4	291.1	368.5
1978	1,407.9	3.3	801.5	280.8	304.7	383.7
1979	1,463.6	4.0	830.4	290.3	326.7	401.0
1980	1,485.2	1.5	840.8	297.8	335.8	422.3
1981	1,485.3	0.0	836.4	303.3	319.7	456.7
1982	1,471.0	-1.0	825.2	300.7	302.9	471.5
1983	1,493.8	1.5	834.4	301.7	312.4	470.7
1984	1,534.8	2.7	839.6	308.8	314.9	506.6
1985 I	373.3	0.1	200.4	75.4	60.4	133.8
1985 II	385.0	3.2	208.8	77.2	79.1	134.6
1986 I	381.1	1.6	208.3	77.4	146.6	131.9

Source: Statistisches Bundesamt, Germany

GERMANY/ U.S.A.

CURRENCY EXCHANGE RATES

Average Exchange Rates
(value of $1.00 in DM)

Annual Average

1975	DM 2.46
1976	2.52
1977	2.32
1978	2.01
1979	1.83
1980	1.82
1981	2.25
1982	2.43
1983	2.55
1984	2.82
1985	2.95

Source: Deutsche Bundesbank, Germany

Monthly Average

1984	Jan.	DM 2.8064
	Feb.	2.7050
	March	2.5961
	Apr.	2.6411
	May	2.7504
	June	2.7370
	July	2.9168
	Aug.	2.9168
	Sept.	2.7900
	Oct.	2.6444
	Nov.	2.5888
	Dec.	2.5411
1986	Jan.	DM 2.4438
	Feb.	2.3341
	March	2.2638
	Apr.	2.2745
	May	2.2730
	June	2.2365
	July	2.1532
	Aug.	2.0636

Source: Deutsche Bundesbank, Germany

Ratio of Savings to Disposable Personal Income
(percent)
U.S.A.

1980	7.1
1981	7.5
1982	6.8
1983	5.4
1984	6.3
1985	5.1

*Source: U.S. Department of Commerce,
International Trade Administration*

Ratio of Savings to Disposable Personal Income
(percent)
Germany

1980	14.1
1981	14.7
1982	13.8
1983	12.5
1984	13.0
1985	12.7

*Source: U.S. Department of Commerce,
International Trade Administration*

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IMPORTANT GERMAN INDUSTRIAL INVESTORS IN THE USA

GERMAN FIRM	MOST IMPORTANT U.S. AFFILIATE OR PARTICIPATION	PERCENT SHARE	NUMBER OF EMPLOYEES
Bayer	Mobay Chemical	100	5,929
	Miles Laboratories	100	13,000
	Helena Chemical	100	773
	Agfa-Gevaert	100	797
	Other Companies	100	3,000
Volkswagenwerk AG	Volkswagen of America	100	9,000
	Royal Business Machines	66	n.a.
BASF	BASF Wyandotte	100	3,900
	Badische Corp.	100	4,200
	BASF Systems	100	1,150
	Fritzsche Dodge & Olcott	100	850
	Knoll Pharmaceutical	100	520
Hoechst	American Hoechst	100	8,800
Siemens	Siemens Communication	100	981
	Siemens Components	100	1,910
	Siemens Medical Systems	100	3,159
	Siemens-Allis	88	7,700
	Other Companies	100	3,065
Thyssen Group	Budd Co.	100	n.a.
Daimler-Benz Group	Freightliner	100	n.a.
Henkel KGaA	Clorox	30	5,600
	Henkel Corp.	100	2,500
	Amchen Products	100	2,500
Tengelmann Group	Great A&P Tea	50.5	72,000
Flick Group	WR Grace	26	n.a.
Franz Haniel & Cie	Scrivner Inc.	100	4,000
Otto Versand	Spiegel Inc.	100	5,000

Source: American Subsidiaries of German Firms 1986

Information Sources . . .

Government

Embassy of the Federal Republic of Germany
4645 Reservoir Road N.W.; Washington D.C., 20007

German Information Center
410 Park Avenue, New York, N.Y., 10022

Embassy of the United States of America
53 Bonn 2; Deichmanns Au

Bundesminister fuer Wirtschaft
(Ministry of Economic Affairs) 53 Bonn-Duisdorf; Villemomblerstr. 76

Bundesminister der Finanzen
(Ministry of Finance [incl. Department for Customs & Duties]) 53 Bonn 1; Grau-rheindorferstr 108

Presse-und Informationsamt der Bundesregierung
(Public Relations Department of the Federal Government) 53 Bonn 1; Welckerstr. 11

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(Federal Department of Documentation and Statistics) 62 Wiesbaden; Gustav Stresemann Ring 11

Deutsches Patentamt
(Commissioner of Patents) 8 Muenchen 22; Zweibrueckenstr. 12

Bundeskartellamt
(Federal Antitrust Agency) 1 Berlin 61; Mehringdamm 129

Deutsche Bundesbank
(German Federal Reserve Bank) 6 Frankfurt/Main 50; Wilhelm-Epstein Strasse 14

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(Determination Committee for Industrial Standards) 1 Berlin 30; Burggrafenstr. 4-7

Bundesanstalt fuer Arbeit
(Federal Employment Agency) 85 Nuernberg; Regensburgerstr. 104

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Bundesverband der Deutschen Industrie e.V.
(Association of German Industries) 5 Koeln 51; Gustav Heinemann Ufer 84-88

Bundesvereinigung der deutschen Arbeitgeberverbaende
(Umbrella Association of employers' organization; counterpart of the Umbrella Organization of Labor Unions) 5 Koeln 51; Gustav Heinemann Ufer 72

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(Association of German Chambers of Industry and Commerce) 53 Bonn 1; Adenauerallee 148

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(Umbrella Organization of Labor Unions) 4 Duesseldorf 30; Hans Boeckler Str. 39

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(Organization of exporters/importers and wholesalers) 53 Bonn; Kaiser Friedrich Str. 13

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(Retailer Association) 5 Koeln 1; Sachsenring 89

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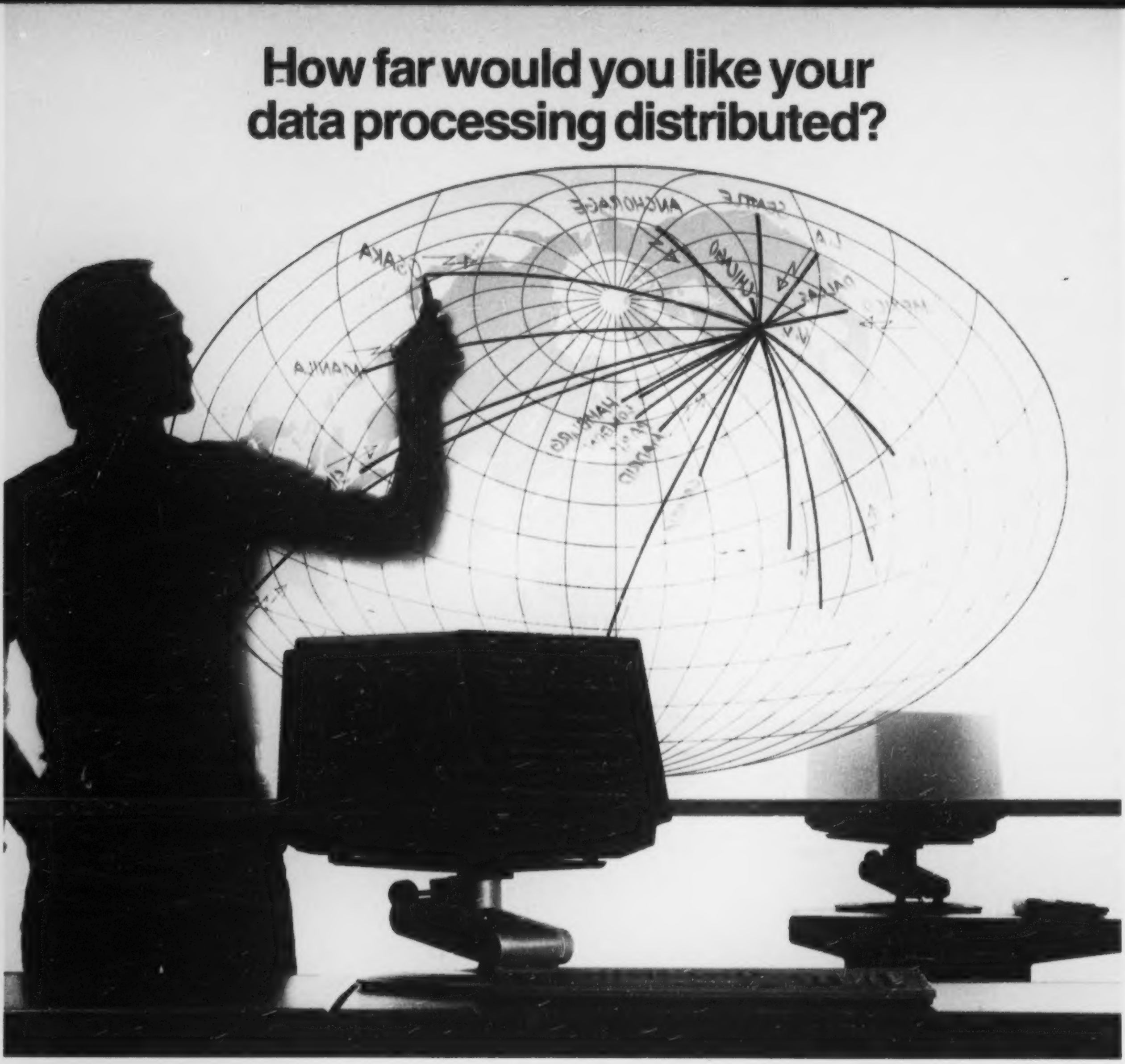

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